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Nova Scotia.

# PROVINCE OF NOVA SCOTIA

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## A SUBMISSION OF ITS CLAIMS WITH RESPECT TO MARITIME DISABILITIES WITHIN CONFEDERATION AS PRESENTED TO THE ROYAL COMMISSION

Halifax, N. S.  
21st July, 1926.

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# INTRODUCTORY STATEMENT

OF

LT.-COL. E. C. PHINNEY

APPEARING ON BEHALF OF

**The Government of Nova Scotia**

I am appearing before the Commission on behalf of the Government of Nova Scotia. I am instructed that the Government, in so appearing, reserves its right to present its claims from time to time as may appear desirable to the supreme authority of the Parliament of Canada. The investigation of this Commission does not relieve the Canadian Government of its direct duty to take such immediate measures as may be necessary to ascertain the true economic position of the Maritime Provinces and to apply adequate remedial measures; and any finding which this Commission may be pleased to make (no matter how favorable it may be to the Maritimes) will not necessarily exhaust the provisions which the Parliament of Canada should take to rectify the inequities and inequalities of a half century and to prevent their recurrence.

While reserving the right to make representations in the future as the occasion may demand, this Government is prepared now to render all possible assistance to your Commission in its investigation. To discover the causes of our present unsatisfactory economic situation as a Province of Canada requires study of the history of this province previous as well as subsequent to Confederation. In this way only can adequate remedial measures be formulated.

It is hoped that the memoranda, as presented on behalf of the Government of this province, will be of some assistance to you in conducting your examination and propounding remedies.

This presentation will be divided into major headings, as follows:—

- (1) Historical Survey Prior and Subsequent to Confederation with Analogous Comparisons;
- (2) Provincial Subsidies;
- (3) Canadian Public Domain;
- (4) Transportation and Freight Rates;
- (5) Port Development, Export Trade and Transcontinental Railway;
- (6) Coal and Steel Industries;
- (7) Fisheries;
- (8) Colonization and Settlement;
- (9) Maritime Representation in Dominion House of Commons.

## II

It will at once be apparent that only the pertinent and outstanding features of the various subdivisions of this case can be brought to your attention in this presentation. Many avenues will continually present themselves, which you will probably consider worthy of investigation, but which, in many instances, have only been touched upon in the preparation of this brief. In so far as possible, references are cited throughout, which I hope will assist in this regard. Many exhibits will likewise be presented, which will be found useful in further investigation, and in respect to certain phases of the case direct evidence will be given.

The demands of this province for more equitable treatment are not based essentially upon legal grounds. There will be instances cited where undoubtedly we are in law entitled to relief. Our case, however, is primarily based upon equitable and national grounds, so that the health of the entire body politic of our Dominion may ensue. Authorities on Equity refer to "Conscience," "Reason" and "Good Faith." Equity provides for a just regulation of the mutual rights and duties of men living in a civilized society. It is untrue that a partnership can be fair and just to all, whatever may have been the intention and understanding at its inception, if one partner fails to share adequately in the common benefits of the partnership. Nor is it likely that such a partnership will prove successful as a whole.

The British North America Act lays down certain conditions and regulations which constitute the basis of the Federation Pact. The intention of this Act was to establish a working basis for a federated Government of all the provinces which might enter the Union. However, the British North America Act does not disclose the numerous specific understandings which led up to Confederation, nor does it purport to set forth the National and Imperial advantages to be reaped therefrom. That instrument is in form a framework of government, not a statement of political or economic principles, much less a contractual agreement.

The negotiations leading up to Confederation were permeated with a spirit of concession. It was at the time apparent that the union of provinces entailed adjustments, and in so far as those responsible were able to look into the future, adjustments were considered on a basis fair to all. During the years while Union was being advocated, fears and misgivings were freely expressed in this province, and we find that representatives of Upper and Lower Canada on many occasions came to this province in order to quiet all such misgivings. Every effort was made to represent to the people of Nova Scotia the desirability of the partnership from the standpoint of the British Empire and many definite pledges were made to us to compensate for many concessions we made and many privileges and advantages we were forced to forego.

Nova Scotia, then a prosperous and thriving self-governing colony, accepted in good faith these representations, and was one of the four original provinces which formed the Dominion of Canada. We abandoned our career as a separate colony, so that we might assist in creating a great Canadian nation and work out our destiny within that nation for its benefit as well as our own.



### III

It should be noted that the Imperial authorities, entrusted as they were with the military protection of British North America, strongly favored a union of provinces and territories for reasons which were quite apparent at that time.

As will be shown, this province has at no time since 1867 been treated as an equal participating partner of the Dominion. The result has been inevitable.

Because of our geographical position, the problems of the east were and are of a different nature from those of Central and Western Canada. Our boundaries prevent our territorial expansion for all time. Our distance from the larger markets of Canada is great and difficult to overcome. In other words, we are on the edge of a widespread nation with our scope of commercial activity within that nation on one side of us only, and being a maritime nation, our major commercial possibilities must be always considered with that in mind. These restrictions and limitations, as well as the conditions peculiar to this province, have not, during the years since Confederation, received due attention from responsible governing bodies in this Dominion, whereas on entering Confederation we parted with the power and ability to direct our growth upon lines which would have been sufficient had we retained our original status. It must be borne in mind that the natural obstacles in the way of our comparative development within Confederation were so great and the sympathy of other portions of Canada towards the solution of these difficulties so scant, that our people have been sorely tried, and discouragement has been the frequent result.

Thousands upon thousands of our young men and women have left this province, for the sole reason that the United States or the Canadian West afforded brighter prospects. Our financial and commercial influence, which was at the time of Confederation an outstanding feature of the province, has dwindled into comparative insignificance.

It is desirable to emphasize that previously to Confederation Nova Scotia was a prosperous and growing province. Since Confederation, the situation has been gradually, yet steadily, reversed. There can be no doubt that had the assurances made to us prior to our entry into the Confederacy been implemented, our history subsequent to 1867 and our present position as a province of Canada would be very different from what it is. But even had no such assurances been given it would surely be the part of wisdom for a federated Government to ensure that all the members of the federated body are sound and healthy.

We, accordingly, say that our demands as a partner of Canada must not be ignored. The condition peculiar to this province must be given consideration by the rest of Canada. We believe solutions are possible, and definite suggestions in this regard will be made.

In presenting this case many references will be made to direct benefits which through Confederation have accrued to other provinces of this Dominion. Of necessity Nova Scotia's economic position as a province of Canada will be compared with that enjoyed by our sister provinces. In many instances we are demanding consideration comparable with that accorded other provinces. Throughout we shall discuss many features which in

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detail are peculiar only to this province and which may, in certain phases, require consideration and treatment without regard to precedent.

But I wish to make it clear that this province is not complaining of the benefits enjoyed by any other province of Canada. We rejoice in their success and achievement. We are deeply interested in their future welfare.

Only in such instances as injustices are clearly manifested do we ask that adjustments be made which may of necessity directly affect certain provinces of Canada. Where we have not received or are not receiving equitable consideration, we shall specifically ask for relief. In so far as Confederation has placed us in an artificial economic position, we shall ask, wherever necessary, that artificial measures be applied which will adequately meet the situation.

We believe that adequate adjustments can be found within the four corners of Confederation; and upon this basis I propose to present this case on behalf of the Government of Nova Scotia.



# PROVINCE OF NOVA SCOTIA

## A Submission of its Claims with respect to Maritime Disabilities within Confederation

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### HISTORICAL OUTLINE OF THE CONFEDERATION MOVEMENT.

Three-quarters of a century ago two communities on the North American continent furnished a striking contrast in political development. South of the forty-ninth parallel lay the United States, now rounded out by the Louisiana and Florida purchases, the annexation of Texas and California and the settlement of the Oregon dispute in 1846. Having reached its natural limits, east and west, it was going on from strength to strength, secure at home, effective abroad. After an experience of sixty years under its constitution, it stood forth as the most signal instance in history of the successful application of the federal principle and, although still to face its supreme test in the war of secession, was, because of the very strength of the national ideal created by federalism, laying strong the foundations for that marvelous expansion which has been going on for over half a century and still continues with unabated vigor.

#### British North America in 1850.

North of the boundary line lay another Anglo-Saxon community—British North America. But what a different picture it presented! Although sprung from the same stock as the Americans, French Canada excepted, and possessing similar traditions in law, literature and the social and political order, the British provinces, strung along from the Lakes to the Atlantic, languished in isolation, with no centripetal bonds to link them in common unity. The Maritime Provinces, so called, as well as Newfoundland, looked to the sea as the source of their wealth and power, and traded with Great Britain and the West Indies, and especially with the United States. The province of Canada, on the other hand, had little intercourse with its sister provinces. Exchange of commodities was slight, no direct communication existing by rail and none by water in the winter months. Each of the provinces was, governmentally, self-contained. Political thought and action went on in hermetically-sealed compartments. Separate tariffs, separate customs establishments, separate postal and traffic arrangements, and separate economic outlook emphasized an isolation which geographical conditions had in the first instance brought about and which traditional inertia tended to perpetuate.

### Political and Economic Problems of the Province of Canada, 1850-1864.

At the time of this survey the province of Canada was facing serious problems, partly governmental, partly economic. The province had been created in 1841 as a legislative union of the two former provinces of Lower and Upper Canada. But it had not been a success. Racial antipathy had increased, parliamentary government, as ordinarily worked through the two-party system, was breaking down. The necessity for support in both divisions of the province made each ministry a coalition, with all the imperfections of that type of administration. To quote a commentator on the period, Egerton:

"The dual nature of the Government was in every way emphasized. There were two first ministers, one English and one French. The Union Legislature started with a pre-eminence given to the English language, but this pre-eminence had soon to be taken away. . . . The system was extremely expensive, as, if public money was spent on one portion of Canada, an equal sum had to be provided for the other. . . . There was no real life in the party controversies, and the dreary struggle between the ins and outs never ended in a real victory. In three years four ministries were defeated, and two general elections only gave uncertain results. Meanwhile in Upper Canada the demand for representation by population was gathering strength; and Conservatives, as well as Liberals, from the upper division of the province, were beginning to urge its necessity. But such a solution would have seemed to the French-Canadians a direct breach of a solemn engagement, and would assuredly not have made for general harmony." (Egerton, *Federations and Unions in the British Empire*, pp. 26-27).

The economic situation in which Canada found itself in 1850 was likewise conducive of discontent. The then recent fiscal changes in Great Britain, leading to the abandonment of the colonial preference, had brought about a depression in the grain trade and the milling industry. As a result, the canal system, upon which so much of the public revenues had been spent, was likely to prove a costly incubus. As a desperate remedy an agitation sprang up in certain quarters for political annexation with the United States, and the movement went so far as to produce the Annexation Manifesto of 1849, signed at Montreal by many reputable leaders of Canadian public life. For the moment, however, the economic situation eased up, and in 1854 a Reciprocity Treaty was negotiated with the United States. But that agreement merely postponed the crisis. Within a decade the province of Canada was again faced with a loss of markets and the necessity for fresh commercial fields to exploit.

### Maritime Provinces, 1850-1864.

In contrast with Canada, it is to be observed that conditions in the Maritime Provinces at this period were relatively stable, both in the political and the economic spheres. After responsible government had been obtained political life moved through the normal channels of British constitutional practice. There was no racial clash. The population was largely homogenous. One administration succeeded another in accordance with the usages of the two-party system. Public issues were local or personal, not disruptive. Interprovincial relations were amicable, and so identical were their interests that in 1864, as will be noted, a proposal for the union of the Maritime Provinces had actually come within the purview of practical politics. On the economic side, manufacturing and commerce were centered in the provinces themselves. Everywhere small-scale industries had sprung up, while shipbuilding, with its attendant trade in timber, fish and coal, supplied the profits from which were founded banking houses that in time have grown to national dimen-



sions and, in consequence of such growth, have long since removed to the larger financial centres of Canada. A large part of this maritime commerce was with the United States. In 1857, it was stated by the Nova Scotian delegates in London, in their communication to the Colonial Secretary, that of the annual tonnage entering the port of Boston more than half was from Nova Scotia. (Cited in Trotter, *Canadian Federation*, page 177, note 45.)

Thus, in the period after 1850, the Maritime Provinces were contented, well ordered, enterprising, while the province of Canada was politically turbulent and ineffective, and its economic outlook, especially when the Reciprocity Treaty was about to terminate, was more and more giving rise to anxious solicitude. This point of contrast should be kept in mind from the outset, for it serves to bring out the fact that the Maritime Provinces, in entering a federated Canada, did more than merely make a physical contribution to the totality of territory, population and resources. Rather did they make Confederation itself possible, and above all, as between themselves and the other parties to the agreement, they rendered a specific service to the province of Canada by permitting themselves to be called in as make-weights in a new union to redress the balance of the old. It should not be forgotten that, for the province of Canada, the alternative to Confederation was political, and possibly economic, debacle.

### **Early Proposals for Confederation.**

In such a situation it became necessary for the political leaders of Canada to seek a way out. It has been seen that annexation to the United States had been mooted by certain responsible leaders, only to be rejected as soon as public opinion had definitely declared itself. The federalization of Canada, as two provinces, was advocated by many, and for years remained a possible alternative. But in the minds of most thoughtful Canadians the project of a federal union of British North America began to take shape, until it became the over-mastering idea that finally occupied the field. The proposal was not new. Ever since the successful realization of the American Union, British and Canadian public men had put forward schemes for a general union of the provinces, differing in detail but essentially alike in the federative principle to be applied. Such were the proposals of Chief Justice Smith, of Quebec, in 1790, and of his successor, Chief Justice Sewell, in 1814, as well as that of Richard John Uniacke, Attorney-General of Nova Scotia, in 1826. Lord Durham, in his masterly Report, alluded to the federation of all the provinces as a political possibility, but considered that the necessity for prompt action in the rebellious provinces precluded for the moment adoption of the wider scheme.

### **Development of sentiment in favor of Union.**

After the union of Upper and Lower Canada in 1841 a steadily increasing sentiment in favor of a British American federation began to appear. Its causes were psychological at first rather than openly political. The expansive tendencies of the United States, its aggressive claims in Maine and Oregon, and a belief in its manifest destiny to absorb or control the political fortunes of the American continent, bred in the mind of the British colonists a feeling that only in unity could be found the guarantee for continued connection with the British Crown. Thus in all the provinces there was being prepared a receptive attitude towards any proposal contemplating closer political relations between them. This it is that explains why there was any meeting of minds on federation as between Canada and the Maritime Provinces. In a material sense, as has been seen, there did not exist the same necessity for union in the smaller provinces by the sea. Their point of view throughout was the larger consideration of national unity for the common good. They

were always dubious about the material benefits to be derived by them from union, and there is today a large body of public opinion which holds that the sequel has in large measure justified their doubts.

### **Public Opinion in Nova Scotia Regarding Federation.**

As early as 1838, there had been a discussion of federation in the Legislature of Nova Scotia. On that occasion Joseph Howe, the Liberal leader, while not definitely opposed, expressed "fears that while in principle Confederation might be sound, yet in practice the small provinces by the sea would likely suffer injustice at the hands of the two larger provinces." (Trotter, *Canadian Federation*, page 23). Eleven years later, in the very year of the Annexation Manifesto, Howe expressed himself as follows in a letter to the president of the British American League:

"We desire free trade among all the provinces, under one national flag, with one coin, one measure, one tariff, one post office. We feel that the courts, the press, the educational institutions of North America, would be elevated by union; that intercommunication by railroads, telegraphs and steamboats would be promoted, and that, if such a combination of interests were achieved wisely and with proper guards, the foundations of a great nation, in friendly connection with the mother country, would be laid on an indestructible basis." (Chisholm, *Speeches and Public Letters of Joseph Howe*, 11, 25.)

It will be observed that Howe speaks of "proper guards." This fear that federation, as such, might not inure to the economic welfare of Nova Scotia always lurked in the background of any discussion of the subject.

### **Resolution re Confederation in Nova Scotia Assembly, 1854.**

British American union as a feasible political programme was first mooted in 1854. In that year James W. Johnstone, leader of the opposition in the Nova Scotia legislature, made a motion in the House of Assembly, in part as follows:

"Resolved—That the union or confederation of the British Provinces on just principles, while calculated to perpetuate their connection with the parent State, will promote their advancement and prosperity, increase their strength and influence and elevate their position. . . ."

And, further, the Governor of Nova Scotia was to be authorized to bring before the other provincial governments, as well as the British Government, a proposal "which, if matured on principles satisfactory to the several provinces, was calculated to secure their harmony and bring into action their consolidated strength, and must result in lasting benefit of incalculable value." (Saunders, *Three Premiers of Nova Scotia*, pp. 117, 244.) In the debate that followed Howe declared himself for Imperial rather than Canadian federation, with representation of the colonies in the British parliament.

Nothing tangible came of this resolution, but as collateral evidence in support of this case for Nova Scotia, it may be reiterated that Johnstone's motion contemplated a union "on just principles" for the promotion of "their advancement and prosperity," a union to be "matured on satisfactory principles" and in the expectation that it would "result in lasting benefit of incalculable value."

### The Immediate Causes of Confederation: Problems of Communication.

For the proximate causes of Confederation, however, one must look to the conditions in the province of Canada in the decade before 1867. As already indicated, government was fast drifting into stalemate. The cry of "Rep by Pop" had aligned the English-speaking section against the French. Reference has also been made to the economic situation of that period. But second only to the political difficulties was the question of communication. In the 'forties the canal system, and in the 'fifties the Grand Trunk and other railways had been developed, not only to promote internal commerce but for the further purpose of securing a fair share of through traffic from the Western states. But neither system had a terminus on the Atlantic seaboard, while the river St. Lawrence was closed to navigation for half the year. "It was obvious," says a recent historian of Confederation, "that if the Canadians wished to compete for the trade of the West, and to conduct their winter foreign trade without dependence upon . . . American routes, they must provide Canada with railways of her own, and see that these were extended to the ice-free ports of the Maritime Provinces." (Trotter, *Canadian Federation*, 147.) Accordingly, it became the policy of the Canadian government to link up its railway system with the Lower Provinces. In 1849, Francis Hincks, the Canadian Finance Minister, brought in a bill to grant assistance to the projected Halifax and Quebec Railway, which was intended to be the eastern portion of a British-American line. The route for an intercolonial railway had already been surveyed and the Maritime Provinces were willing to assume their full share of responsibility. But finances proved a stumbling block and the scheme fell through. By this time the American bonding privilege had made Portland available as a terminus for the Grand Trunk system, although this arrangement implied giving hostages to the political interests of a foreign power. But from time to time Canada still urged upon the Lower Provinces the necessity for intercommunication. For instance, in 1858, at the suggestion of the Canadian Government, a joint delegation sought financial aid from the British Government for such a project, but without success. By this time an intercolonial railway was beginning to be regarded "as a necessary precursor of political union." A Nova Scotian delegation in 1857 forcibly summed up the argument for the road as follows:

"An intercolonial railroad would give the means of communication at present wanting. It would open to Canada an Atlantic seaboard on British soil, from which she is now cut off; and it would offer to the Lower Provinces a ready access to the vast field of enterprise and progress occupied by their fellow subjects in the interior. It would prove a benefit of incalculable value, should it be the precursor of, as it is an absolute necessity towards, a legislative union of Her Majesty's North American Provinces—a measure essential to the full development of the power which their situation and character are calculated to confer and without which they never can attain the high position to which their united energies and advantages would lead them. . . . While Canada remains cut off from communication with the Lower Provinces and with the Atlantic shore on British territory, the tendencies to alienation between her and the sister provinces and to the approximation of all the colonies to the United States must strengthen and mature."

Here again, it will be noted, the Maritime Provinces entertained a lively hope that they would share in the internal commerce which an intercolonial railway would open up. It is hardly necessary to point out that, if the failure to realize reciprocal benefits had been foreseen, no responsible statesman in these provinces would ever have raised his voice in favor of such a scheme.



### **Railway Policy and Military Defence.**

There was another element in this railway policy. The Imperial Government was primarily responsible for the defence of the colonies and any discussion of railways involved military consideration. For a generation there had been irritation over the boundaries, East and West. It became clear that so long as the contingency of war with the United States was to be feared, any railway connecting the provinces must be strategically placed as far from the American border as possible. The events of the Civil War served to accentuate this—particularly the Trent affair, which necessitated the transport of troops from the seaboard to the St. Lawrence at the beginning of winter and thus vividly brought before Great Britain and the colonies the paramount need for connection by rail. This explains the route ultimately chosen for the Intercolonial. It is not a direct route nor one which modern railway science would select. But in any assessment of the contribution made by the respective provinces to the corporate life of the Dominion it should not be forgotten that the economic interest of the Maritime Provinces in the building of the Intercolonial Railway was postponed to what was considered to be the more imperative claim of the national safety.

### **The Bonding Privilege.**

One further consideration made the province of Canada interested in an intercolonial road. The access to Portland was intimately bound up with the bonding privilege. In any dispute with the United States—and there were many in the period under review—there was always the danger that this privilege might be revoked. This was especially feared just before Confederation, when the Reciprocity Treaty was abrogated at the instance of the United States. Hence the necessity for Canada of an alternative route to the seaboard, which the Maritime Provinces alone could supply during six months of the year. It may be added that the threat of suspension of the bonding privilege has been made by the United States more than once since Confederation. In 1870, President Grant asked Congress for power to suspend in retaliation for Canadian restrictions upon American fishermen, while in 1887 Congress actually enacted a measure excluding Canadian ships and products from ports of the United States, though enforcement of it was fortunately obviated by later arrangements. (Moore, *Digest of International Law*, 1, 794, 865.) It may be pointed out, however, that a similar contingency is still possible, should economic controversy with the United States ever become acute.

### **Canadian Proposal for Confederation, 1858.**

The steps finally leading to Confederation may be briefly summarized. In 1858, A. T. Galt, a member of the Canadian Parliament, in a notable address, advocated a general federation of all the British provinces as an alternative to possible annexation to the United States. Cartier, the French-Canadian leader, also gave his support to the idea on the ground that the Canadian political situation would be relieved "if other partners were drawn in by a federation." Accordingly, the Canadian Government invited the governments of the Lower Provinces to discuss the proposal in principle, and a Canadian delegation was sent to London to ascertain the views of the British Government on the matter. Galt assured the Colonial Secretary "that the question is simply one of Confederation with each other or of ultimate absorption in the United States, and every difficulty placed in the way of the former is an argument in favor of those who desire the latter." But official apathy and a change in the British ministry shelved the mission of the Canadian delegation for the moment.

### **Nova Scotia Legislature takes Initiative, 1861.**

In 1861, however, a resolution was adopted in the Legislature of Nova Scotia, which, as events worked out, may be considered the first link in the chain of negotiations directly leading to Confederation. Under this resolution, which was moved by Joseph Howe, then Premier, the Lieutenant-Governor was requested to communicate with the other provincial governors and with the Colonial Secretary, "in order to ascertain the policy of Her Majesty's Government and the opinions of the other colonies, with a view to an enlightened consideration of a question involving the highest interest, and upon which the public mind in all the provinces ought to be set at rest." (Whelan, *Union of the British Provinces*, p. 2.) The Duke of Newcastle, Colonial Secretary, replied in a favorable despatch, which later was considered the warrant for actual negotiations. For the present, a conference of delegates at Quebec in the autumn of that year found it inadvisable to proceed with the scheme. To Nova Scotia, however, must be given the credit of this initial step, taken not under political duress but from the loftier motive of national policy.

### **Crisis in Canadian Politics, 1864—Proposal to Federate.**

In 1864 the break in Canadian politics came at last. Partisan manoeuvres had proved bankrupt and statesmen found themselves in an impasse. Three ministries and two general elections in two years had shown the futility of the constitutional system of 1840. In the dilemma the unexpected happened. The inveterate political and personal enemies, George Brown and John A. Macdonald, composed their quarrels and agreed to discuss a way out of the deadlock. A coalition cabinet was formed by the entrance of three Reformers, George Brown among them, into the Tache-Macdonald ministry, with the following agreement as a working basis:

"The Government are prepared to pledge themselves to bring in a measure next session for the purpose of removing existing difficulties by introducing the federal principle into Canada, coupled with such provisions as will permit the Maritime Provinces and the North-West Territory to be incorporated into the same system of Government.

"And the Government will seek, by sending representatives to the Lower Provinces and to England, to secure the assent of those interests which are beyond the control of our own legislation to such a measure as may enable all British North America to be united under a General Legislature based upon the federal principle."

### **Maritime Union Proposed, 1864.**

In this very year, 1864, the governments of the Maritime Provinces were also groping towards political union. Dubious about realizing the wider scheme of federation, the governments of the three Lower Provinces had agreed to discuss the less ambitious but more feasible policy of Maritime Union at a conference to be held in Charlottetown in September of that year. On receipt of this information the Government of Canada requested the privilege of sending a delegation to Charlottetown to attend the conference unofficially with a view "to ascertain whether the proposed Union may not be made to embrace the whole of the British North American Provinces." Such a delegation, consisting of the leading statesmen of Canada, was welcomed at Charlottetown, where the local issue of Maritime Union at once gave way to the consideration of the larger project. After a week's deliberations at

Charlottetown, with sessions at Halifax and Saint John, the conference adjourned to meet at Quebec in October, where it considered a scheme of federation drawn up by the Canadian Government in the interim between the two conferences. These proposals were in the main embodied in the so-called Quebec Resolutions, which, in turn, became the basis of the British North America Act, duly enacted as the constitution of a federated Canada in 1867.

### **Inducements offered to the Maritime Provinces.**

In contrast with the American Constitutional Convention of 1787, the conferences at Charlottetown and Quebec held their sessions behind closed doors and have left meagre records of their deliberations. It is difficult, therefore, to ascertain what considerations were given and received by the respective parties so far as the delegates were concerned. Neither does the British North America Act disclose any specific understandings. That instrument is in form merely a framework of government, not a statement of political or economic principles, much less a contractual agreement. For the inducements held out to the Maritime Provinces to enter Confederation one must look to the explicit statements made by the visiting Canadian delegates at various functions given in their honour at Halifax and Saint John, as well as to addresses made by the "Fathers of Confederation" in their public discussion of the scheme, and especially to the memorable debate in the Canadian Parliament in 1865, on the Quebec Resolutions. From all these taken together we may reasonably infer intention, and, in the light of such intention, the Confederation pact must be interpreted.

### **Hon. Geo. E. Cartier at Halifax.**

For instance, on September 12, 1864, at Halifax, a banquet was tendered the delegates to the Charlottetown conference. The leading Canadian statesmen made addresses, among them Hon. George E. Cartier, Attorney-General of Lower Canada, who spoke in part as follows:

"I need hardly bring to your notice, gentlemen, that we in Canada have those two great elements of nationality—the personal and territorial elements; but we know our shortcomings—that though great in territory and population, we want the other element which is absolutely necessary to make a nation, that is the maritime element. What nation on earth has obtained any amount of greatness unless it has been united with a maritime element?"

"I have heard since I have been in Halifax, the objection thrown out that there is much danger that you would be absorbed. It will be very easy for me to dispel such fears. I answer them by a question: Have you any objection to be absorbed by commerce? Halifax through the Intercolonial Railroad will be the recipient of trade which now benefits Portland, Boston and New York. If you are unwilling to do all in your power to bring to a satisfactory consummation this great question, you will force us to send all this trade, which you ought to have, through American channels. Will the people of Nova Scotia or New Brunswick be better off because they are not absorbed by commerce or prosperity? It is as evident as the sun shines at noon that when the Intercolonial Railway is built—and it must necessarily be built if Confederation takes place—the consequence will be that between Halifax and Liverpool there will be steamers almost daily leaving and arriving at the former—in fact it will be a ferry between Halifax and Liverpool."



### **Hon. George Brown at Halifax.**

On the same occasion Hon. George Brown made a notable address. After traversing the chief arguments for Confederation, as already set forth in this survey, Mr. Brown made this significant statement:

"But far in advance of all other advantages would be this, that union of all the provinces would break down all trade barriers between us, and throw open at once to all a combined market of four millions of people. You in the east would send us your fish and your coals and your West India produce, while we would send you in return the flour and the grain and the meats you now buy in Boston and New York."

### **Hon. John A. Macdonald at Halifax.**

And Hon. John A. Macdonald, Attorney-General of Canada West, who was later to play so important a part in the inception of the New Dominion as its first premier, was equally explicit. His reference to the Intercolonial Railway indicates the intimate relation between the building of that road and the accomplishment of Confederation. His statement was as follows:

"I will not continue to detain you at this late period of the evening, but will merely say that we are desirous of a union with the Maritime Provinces on a fair and equitable basis; that we desire no advantage of any kind; that we believe the object in view will be as much in favor as against these Maritime Colonies. We are ready to come at once into most intimate connection with you.

"I don't hesitate to say that with respect to the Intercolonial Railway, it is understood by the people of Canada that it can only be built as a means of political union for the colonies. It cannot be denied that the Railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada. Whilst we have the St. Lawrence in summer, and the American ports in time of peace, we have all that is requisite for our purposes.

"We recognize, however, the fact that peace may not always exist, and that we must have some other means of outlet if we do not wish to be cut off from the ocean for some months in the year. We wish to feel greater security—to know that we can have assistance readily in the hour of danger. In the case of a union, this Railway must be a national work, and Canada will cheerfully contribute to the utmost extent in order to make that important link without which no political connection can be complete.

"What will be the consequence to this city, prosperous as it is, from that communication? Montreal is at this moment competing with New York for the trade of the great West. Build the road and Halifax will soon become one of the great emporiums of the world. All the great resources of the West will come over the immense railways of Canada to the bosom of your harbor."

### **Hon. A. T. Galt at Halifax.**

Hon. Mr. Galt also referred to the Intercolonial Railway:

"If we are united we must have an Intercolonial Railway. I am an advocate of this great work, and it becomes an absolute necessity if a union of these Provinces

"is to take place at all. . . . But the railway is not to be looked upon as a question of cost, but as a bond of union, that will unite us in peace and in time of need."

### **Speeches at Saint John.**

At Saint John there was further speech-making. Hon. Mr. Cartier repeated what he had said at Halifax:

"Canada has population and territory sufficient to make a great nation in course of time. But she wants what the Lower Provinces possess—an outlet to the sea. "As the Lower Provinces now stand, they are comparatively weak and powerless—and the wealth, labor and industry which Canada possesses, go in a great measure "to enrich such cities as New York, Boston and Portland. This must continue to "be the case until the intercolonial railway shall be built. . . .

"Canada had been accused of insincerity in her dealings with the Maritime "Provinces, and this led to the formation of a strong prejudice against accepting the "proposals of his Province for Confederation; but he assured every one who listened "to him that Canada was unjustly accused; and that her ministers did not come "there to urge them by undue means into the adoption of any scheme of union; but "fairly to point out to them the enormous advantages which, in a commercial point "of view, their merchants, traders, and manufacturers would derive from having a "market of four millions of people for the exchange of their several commodities, instead of being restricted to the small and scattered populations which now compose the Lower Provinces."

And Hon. George Brown in glowing eloquence prophesied future Canadian expansion and emphasized the trade opportunities that Confederation would open up for the Maritime Provinces:

"He hoped to see all the provinces united. . . . In Canada there were . . . "millions upon millions of acres yet lying unreclaimed from their wilderness state, "which would, at some future day, be inhabited by thrifty farmers, producing bread-stuffs for the Lower Provinces, while they receive the manufactures of those "provinces in return. What a happy and prosperous state of affairs would thus be "presented when compared with the present isolated condition of the provinces!"

### **Addresses at Quebec, Montreal and Toronto.**

Later, at an official dinner at Quebec on October 15, Mr. Galt made the following statement, which is very much in point at the present time:

"We are trying to encourage manufacturing in Canada. A supply of coal is a "most important element of success in this respect; and we have before us the fact "that Nova Scotia possesses that element. The great resources of the Maritime "Provinces have been amply shewn by the honorable gentlemen who have already "spoken, and who have abundantly proved that they come not as seeking assistance "from us, but in a broad and national spirit."

A few days afterwards, in Montreal, Mr. Cartier made another plea for Maritime support, as follows:

"I must repeat to you what I stated while in the Lower Provinces, that while we possessed the personal and the territorial elements which go to constitute a nation, we were wanting in the maritime element. During six months of the year we had to knock at the door of our neighbor in order to carry on our trade. This cannot be tolerated. This Confederation must be carried out. I know that every citizen of Montreal will understand that at this critical time we should look to Nova Scotia, to New Brunswick, and Prince Edward Island for the elements wanting in Canada to make a great nation. I don't mean a nation distinct from the mother country.

"With our prosperity we are enriching the American States, whereas we ought to be enriching our own States. We ought to be enriching such harbors as Saint John and Halifax."

At Toronto, on November 3, Hon. George Brown made a strong plea for the building of the Intercolonial Railway. He admitted that he had formerly opposed it but that it was now a necessary part of the general scheme. And he pointed out that the interests of Upper Canada were safeguarded in the arrangement:

"In agreeing to build the intercolonial railway, it should also be stated that due regard was had to the interests of the West. I am happy to be able to say that with the unanimous consent of the members of the Conference, we have resolved on the extension of our canal system. Still further, I think it well to state that while we have sought Confederation with Nova Scotia, New Brunswick, Newfoundland and Prince Edward Island, we have not been neglectful of the Far West, but we have made it a condition of Union that the great North-West may come into the federation on equitable terms at any time it pleases, and that British Columbia and Vancouver Island may also be incorporated with us. We have likewise made it a condition that so soon as the state of the finances will permit communication is to be opened up from Western Canada to the North-West territory."

### **Parliamentary Debate on Quebec Resolutions.**

The Parliamentary debate on the Confederation proposals brought forth equally positive declarations from the Canadian leaders. Hon. John A. Macdonald, in presenting them to the House, urged the adoption of the scheme, for, he said, "if we do not embrace this opportunity, the present favorable time will pass away, and we may never have it again." Continuing, he said:

"Just so surely as this scheme is defeated, will be revived the original proposition for a union of the Maritime Provinces, irrespective of Canada; they will not remain as they are now, powerless, scattered, helpless communities; they will form themselves into a power, which, though not so strong as if united with Canada, will, nevertheless, be a powerful and considerable community, and it will be then too late for us to attempt to strengthen ourselves by this scheme, which, in the words of the resolution is for the best interests, and present and future prosperity of British North America."

And referring to the probable termination of the Reciprocity Treaty and the bonding privilege, he pointed out the precarious economic condition in which the province of Canada would find itself:



"Ourselves already threatened, our trade interrupted, our intercourse, political and commercial, destroyed, if we do not take warning now when we have the opportunity, and while one avenue is threatened to be closed, open another by taking advantage of the present arrangement and the desire of the Lower Provinces to draw closer the alliance between us, we may suffer commercial and political disadvantages it may take long for us to overcome."

Thus Macdonald was keenly alive to the political and economic necessity for Canada of Confederation, as well as to the fact that the Lower Provinces had a feasible alternative in Maritime Union.

Cartier argued much as he had done at Halifax and Saint John. He maintained that the choice lay between Confederation and annexation, and that considerations of defence made union of some kind imperative. But what he especially valued was the maritime element that the Lower Provinces could contribute.

"Owing to the large trade and commerce of Canada, extensive communication with Great Britain at all seasons was absolutely necessary. Twenty years ago our commerce for the year could be managed by communication with Great Britain in the summer months only. At present, however, this system was insufficient, and for winter communication with the seaboard we were left to the caprice of our American neighbors, through whose territory we must pass. He had also alluded to the bonding system, which if the Americans were to withdraw, Canada would be left in winter without any winter harbors. Canada, having two or three elements of national greatness—territory and population—wanted the maritime element; and as he had said, the Lower Provinces had this element and a seaboard, but not a back country or large population, which Canada possessed; and for the mutual benefit and prosperity of all the provinces, all these elements ought to be united together. . . . Now was the time to look the matter in the face and adopt the only safe and prudent course open to us in the shape of Confederation."

With Galt, the powerful argument in favor of Confederation was the stimulation of intercolonial trade.

"It is a matter for regret," he said, "on the part of all of us that the trade between these colonies—subject all to the same Sovereign, connected with the same empire—has been so small. Intercolonial trade has been, indeed, of the most insignificant character; we have looked far more to our commercial relations with the neighboring—though a foreign—country, than to the interchange of our own products, which would have retained the benefits of our trade within ourselves; hostile tariffs have interfered with the free interchange of the products of the labor of all the colonies, and one of the greatest and most immediate benefits to be derived from their union will spring from the breaking down of these barriers and the opening up of the markets of all the provinces to the different industries of each. In this manner we may hope to supply Newfoundland and the great fishing districts of the Gulf, with the agricultural productions of Western Canada; we may hope to obtain from Nova Scotia our supply of coal; and the manufacturing industry of Lower Canada may hope to find more extensive outlets in supplying many of those articles which are now purchased in foreign markets."

Hon. George Brown, in the debate in the Legislature, stated that:

"One of the best features of this union is, that if in our commercial relations with the United States we are compelled by them to meet fire with fire it will enable us to stop this improvidence and turn the current of our own trade into our own waters.

"I am in favor of this union because it will give us a seaboard at all seasons of the year. . . . The I. C. R. will give us at all times access to the Atlantic through British territory. As a commercial enterprise the I. C. R. has not I apprehend any considerable merit; as a work of defence it has, however, many advocates; but if the union of the provinces is to go on, it is an absolute necessity; and as the price of union, were there no other arguments in its favor, I heartily go for it. The advantages it will confer on the Maritime Provinces can hardly be over-rated. It will make Halifax and St. John the Atlantic seaports of half a continent—it will insure to Halifax ere long a line of powerful steamers running in six days from her wharves to some near point on the west coast of Ireland and it will bring a constant stream of passengers and immigrants through those Lower Provinces that never otherwise would come near them."

Brown again dwelt on the value to Canada of the solution of the constitutional issue made possible by the admission of the Maritime Provinces. On this point his words were emphatic:

"Viewed then from a merely Canadian standpoint—viewed solely as a remedial measure—I fearlessly assert that the scheme in your hands is a just and satisfactory remedy for the evils and injustice that have so long distracted the province—and so strongly do I feel this, that were every word of objection urged against our union with the Maritime Provinces just and true to the very letter, I would not hesitate to adopt the union as the price of a measure of constitutional reform in Canada, so just and so complete as now proposed. But, so far from the objections urged against union with the Maritime Provinces being sound, so far from union with them being a drawback to this measure, I regard it as the crowning advantage of the whole scheme."

### **Opposition to Confederation in the Maritime Provinces.**

Between the adoption of the Quebec Resolutions and the passage of the British North America Act popular opposition to the pact developed in the Maritime provinces, especially in Nova Scotia. The problem of finance had almost broken up the Quebec Conference and the terms upon which agreement had been reached were especially attacked by Howe and his supporters. The correspondence and despatches relative to the Union were tabled on the 8th of March, 1866, in the Legislature of Nova Scotia.

On the 10th of April, 1866, the Provincial Secretary, Hon. Dr. Tupper, presented to the House of Assembly a resolution to the effect that it was desirable that a confederation of the British North American Provinces should take place, and authorizing the Lieutenant Governor to appoint delegates to arrange with the Imperial Government a scheme of union which would effectually ensure just provision for the rights and interests of this province. This resolution was debated at some length and on the 17th of April an amendment was defeated, 31 to 19, and the original resolution passed.

The amendment recited that the conference at Quebec had been held without the authority and sanction of the Legislature and people of the province; that no general election had been held in Nova Scotia; that while several by-elections had been held in certain

constituencies representatives had been returned hostile to Confederation; that petitions had been very numerous signed and presented from every constituency in the province urging that the House refuse its concurrence in the arrangement for the confederation in question and urging that no measure involving a fundamental change in the institutions of the country should be attempted to be passed until the people were afforded the opportunity of giving a legitimate expression of their wishes respecting it in a constitutional manner at the polls.

### **Nova Scotia Sends Delegates.**

On the strength of this resolution delegates were appointed to confer with the Home authorities in respect to the union. It may be noted in passing that the correspondence from Hon. Edward Cardwell, M. P., Secretary of State for the Colonies, had stated in despatches both to the Governor-General and to Sir R. G. McDonnell, the Lieutenant Governor, that it was the strong and deliberate opinion of Her Majesty's Government that all the British North American colonies should agree to unite under one government, and set forth the wish of Her Majesty's Government in the following terms:

"I am aware that this project, so novel as well as so important, has not been at once accepted in Nova Scotia with that cordiality which has marked its acceptance by the Legislature of Canada; but Her Majesty's Government trust that after a full and careful examination of the subject in all its bearings, the Maritime Provinces will perceive the great advantages which, in the opinion of Her Majesty's Government, the proposed union is calculated to confer upon them all."

Those who were opposed to Confederation immediately prepared an address to Her Majesty signed by five members of the Legislative Council and eighteen members of the House of Assembly. This was forwarded to His Excellency the Governor-General by minute of the Executive Council.

Delegates from Canada, Nova Scotia and New Brunswick assembled at Westminster Palace Hotel on the 4th December and continued in session until the 24th December, when resolutions in respect to Confederation were adopted and the draft British North America Bill was finally agreed upon. On the return of the delegates to their respective provinces the necessary enactments were made in respect to Confederation by the legislatures of New Brunswick and Nova Scotia.

At the provincial elections subsequent to Confederation the supporters of Confederation were defeated, only two of such supporters being elected, one from Inverness and one from Cumberland county. In the federal elections, but one supporter of the measure, Hon. Dr. Tupper, was returned.

### **The Repeal Agitation Begun.**

The newly-elected House of Assembly immediately began negotiations with the Imperial authorities respecting Confederation and sought to accomplish the repeal of the Act in so far as Nova Scotia was concerned.

The address to the Crown, the petition of the legislature, the reports of the delegates and the recital of the circumstances surrounding Confederation are set forth in appendices 9 and 10, Journals House of Assembly, 1868. These despatches were accompanied by



private communications from the Governor of the province, Sir Hastings Doyle, urging that a speedy decision should be given by the Imperial authorities in respect to the bill, to allay the agitation that had arisen.

The documents are submitted herewith.

### **The Governor-General Intervenes.**

As soon as the Repeal resolution had been placed before the Nova Scotia legislature and had appeared in the public press, and before its transmission to Ottawa, His Excellency the Governor-General directed the attention of the Secretary of State for the Colonies, the Duke of Buckingham, to its terms, and proceeded to an examination of the resolution. He analyzed the returns of the 1867 elections with a view to discounting the agitation in Nova Scotia, and asserted that there was not the feeling of widespread irritation and discontent which it was alleged existed. He stated that the previous Government had suffered defeat not through hostility to the union as much as through its own unpopularity, but he added:

“At the same time I would not be understood as denying that the opponents of this measure have succeeded in exciting a very strong feeling of hostility to it in Nova Scotia, and that the condition of affairs there is of a character requiring careful treatment.”

He suggested four modes of decision open to the Imperial Government, as follows:

“First, to refuse the request unconditionally, with a determination to enforce the union by physical compulsion.

“Second, to assent to the dissolution of the union.

“Third, to ask that a trial of the effects of the union should be made.

“Fourth, to refuse the request on the ground that it was equivalent to the declaration of a wish to separate from England, and that perseverance in opposing the union would be so considered and treated.”

The Governor-General recommended the fourth suggestion for adoption, stating that he had come to the conclusion—

“That the spirit of antagonism to the union which exists in Nova Scotia is exaggerated by the opponents of the measure.”

He then closed his recommendation to the Duke of Buckingham with this suggestion:

“I would therefore inform the deputation that the plan of union, though adopted at the request of the colonies, is considered essential as much on imperial as on provincial grounds. That a refusal to allow any influence to imperial considerations and the suggestions of the Imperial Government and Parliament is virtually to sever the connection between the Mother Country and the colony, and that if Nova Scotia desires a continuance of that connection it must be by the maintenance of the union.”

### The Repeal Delegation.

The delegation, consisting of Messrs. Joseph Howe, William Annand, J. C. Troop and H. W. Smith, submitted the views of the province in respect to the repeal of the union to the British Government and sought a hearing before the bar of the House of Commons in Great Britain. They voiced their protest against the entrance of Nova Scotia into Confederation without consultation of the people. Yielding, however, to opinion officially expressed in Great Britain they sought in the alternative to secure an independent investigation into the real state of the facts and of public sentiment in Nova Scotia with respect to Confederation, and asked for an inquiry by a Royal Commission appointed by the British Government. This was embodied in a resolution of John Bright, M. P.

This request was denied, and while the personal suggestions of the Governor-General to the Colonial Secretary were not embodied in so many words in the despatch of the Duke of Buckingham, yet it is quite evident from a comparison of the communication of the Governor-General with the despatch, that the Governor's letter was the inspiration of the reply given to the delegates and to the people of Nova Scotia.

The British Government was anxious to promote the union, and all of Howe's arguments and eloquence failed to prevent its consummation.

The Duke of Buckingham's despatch assured the Federal Government that "they (Her Majesty's Government) are confident that it will be equally the wish of your Government and of the Parliament of the Dominion to relax or modify any arrangements on those subjects (taxation, the regulation of trade and the fisheries) which may prejudice the peculiar interests of Nova Scotia and of the maritime portion of the Dominion."

### The British Government urges consideration of Nova Scotia's wants and interests.

The following is the communication of Mr. Elliott to the Nova Scotia delegates forwarding the despatch of the Duke of Buckingham:

"Downing Street,  
"11th June, 1868.

"*Gentlemen:*

"With reference to the interviews held with you at this office, I am directed by "the Duke of Buckingham and Chandos to assure you that he did not fail to give "his best attention to your full and able representation of the views which you were "deputed to offer against the union that has been accomplished of the British North "American Provinces.

"I am desired to enclose, for your information, a copy of a despatch conveying to "Viscount Monck the decision at which Her Majesty's Government have arrived. "Her Majesty's Government have not felt it consistent with their views of the public "interest to adopt your conclusions. But His Grace trusts that you will perceive "from the enclosed despatch that whilst on the one hand they cannot entertain the "idea of repealing the union, they are anxious, as they are sure that the Government "and Parliament of Canada will be anxious, that the utmost consideration should be "bestowed on the special wants and interests of the province of Nova Scotia.

"I am, etc.,

"T. FREDK. ELLIOTT."

The last sentence of Mr. Elliott's communication is well worthy of notice, though it is now well nigh sixty years since it was written.

**Buckingham confident that Canada would be just and consider  
Nova Scotia's interests.**

The following is the despatch of the Duke of Buckingham and Chandos, referred to:

"Downing Street,

"4th June, 1868.

"*My Lord:*

"I duly received the address to the Queen from the House of Assembly of the Province of Nova Scotia, contained in your Lordship's despatch, No. 42, of the 14th of March, representing that they object to the measure of Confederation by which the province has been joined with Canada and New Brunswick, and praying that, so far as regards Nova Scotia, the Act of the Imperial Parliament effecting the union may be repealed.

"I have also had an interview with Mr. Joseph Howe, Mr. William Annand, Mr. Troop, and Mr. Smith, being the deputation who were appointed by the Executive Council of Nova Scotia to visit this country in order to explain and support the representations offered against Confederation.

"I have the honor to inform you that I have laid the address of the House of Assembly before the Queen, and that Her Majesty received with much satisfaction the assurances that it contained of their unabated loyalty and attachment to her person and government. The Queen regrets to learn that any dissatisfaction should have been caused amongst her faithful subjects in Nova Scotia by the measure of Confederation adopted by the Imperial Parliament and assented to by the Crown; but Her Majesty trusts that the objections which have been expressed may admit of removal.

"I can assure your Lordship that the subject of the address has engaged the most earnest attention of Her Majesty's advisers. They are well aware that the inhabitants of Nova Scotia have always been distinguished by a sentiment, honourable alike to the colony and to this country, of attachment to the British Crown and Government, and they are anxious to promote the contentment of a people so justly entitled to consideration. But the magnitude of the interests at stake renders it a duty not to shrink from examining fully the grounds of the complaints which have been adduced; and, if it should prove that some of them are mistaken, and others removable, I should indulge the hope that a different view of the subject may be ultimately taken.

"The leading complaints appear to be reducible to two; first, that Confederation was accomplished without properly consulting the province; and, secondly, that the result may be prejudicial to some of its special interests.



"Now, as far as regards the second of these topics, Her Majesty's Government feel that they need only draw the attention of yourself and your Government to the points raised in the address relative to taxation, the regulation of trade, and the fisheries, as they are confident that it will be equally the wish of your Government and of the Parliament of the Dominion to relax or modify any arrangements on these subjects which may prejudice the peculiar interests of Nova Scotia, and of the maritime portion of the Dominion. No doubt can be entertained that the Parliament of the Dominion will be fully alive to both the justice and the expediency of consulting all the various interests of the territory over which its jurisdiction extends.

"With respect to the evidences of the opinion of the province, I observe that Nova Scotia was on several occasions the first of the provinces to move the project of Confederation.

"In 1854 it was proposed by the Legislature of Nova Scotia. In 1857 it formed one of the topics entrusted to some delegates from the Government of Nova Scotia to Her Majesty's Government. The plan was moved in Canada in 1858, but being subsequently dropped, was revived in Nova Scotia in 1861, and made the subject in 1862 of a circular address from Nova Scotia to all the other provinces.

"In 1864 delegates were appointed by the Government of Nova Scotia to attend the conference at Quebec, that framed the scheme on which the Act of Confederation now in force was based. As soon as that scheme was unanimously adopted by the delegates from the several provinces, the Secretary of State remarked that the project should be submitted to the several legislatures. Prince Edward Island declined, both in 1865 and 1866, and Newfoundland never adopted the proposal. But in 1866 both houses of the Legislature of Nova Scotia and both houses of the Legislature of New Brunswick passed resolutions (of which copies are annexed to this despatch), requesting the Governor to name delegates to arrange with the Imperial Government a scheme of union, whilst Canada had previously passed similar resolutions, of which also copies are annexed.

"Such were the proceedings which attested to the Government of this country, on the highest authority, the wish of the legislatures in those provinces.

"I am advised that the Act of Confederation was duly and lawfully passed by the Imperial Parliament.

"It is objected that no previous appeal was made to the people in the Provinces; but this had not been thought necessary in parallel cases. There was none, for instance, in uniting the two Canadas in 1839, although much difference of opinion existed, and in Upper Canada much close conflict in the debates. An appeal to the country was proposed in the Assembly of Upper Canada at that time, and rejected by a large majority. The same proposal was made in the late debates on Confederation in Canada, New Brunswick, and Nova Scotia, but in all of them was thrown out by a large majority.

"Again, it has been objected that the union was not made subject to legislative ratification by the several legislatures. But no such course has been followed in the numerous modifications of colonial constitutions, and in the separations and unions of colonies which have been effected by Imperial legislation. It does so

“happen, however, that after the present measure had been introduced into the Imperial Parliament, and its terms made public, it was cordially approved of by both houses of the legislature of Nova Scotia in their addresses to the Governor at the opening of the session in 1867. And the same took place in New Brunswick, where the session opened after the Imperial measure had become law. Copies of the passages to which I refer are annexed.

“The provincial governments and legislatures, in the present case, after the terms had been substantially settled, with the knowledge and approval of all, looked to the Imperial Parliament to accomplish their union. This has been done exactly in the manner requested. The neighboring province of New Brunswick has entered into the union in reliance on having with it the sister province of Nova Scotia; and vast obligations, political and commercial, have been already contracted on the faith of a measure so long discussed and so solemnly adopted.

“I should do injustice to the character which Nova Scotia has always conspicuously borne of a faithful member of the general British community, if I did not add as a consideration sure to have weight with it, that the measure is believed by Her Majesty’s Government to be not merely conducive to the strength and welfare of the province, but also important to the interests of the whole Empire.

“I have already said that any practical regard which may be due to the special position and interest of the province will, Her Majesty’s Government are confident, be cheerfully given by the parliament of the Dominion; and after the foregoing explanations I trust that the Assembly and the people of Nova Scotia will not be surprised that the Queen’s Government feel that they would not be warranted in advising the reversal of a great measure of state, attended by so many extensive consequences already in operation, and adopted with the previous sanction of every one of the legislatures concerned, and with the subsequent approval of the legislatures of Nova Scotia and New Brunswick.

I have the honor, etc., etc.,

(Sgd.) BUCKINGHAM & CHANDOS.

“Governor,

“The Right Honourable

“Viscount Monck, etc., etc., etc.”

### **Nova Scotia Legislature enters Protest against Action of Imperial Authorities.**

As soon as the House of Assembly had on the 25th February 1868 resolved to appoint delegates to go to the foot of the Throne they adjourned the meeting of the Legislature until the 6th of August, to give an opportunity for the delegation to present its case as referred to, before the British Government and Parliament. Upon receiving the report of the delegates and the despatch of His Grace the Duke of Buckingham the House entered a protest against Confederation, declaring that Nova Scotia was kept under the Act of Confederation by coercion, and that any legislation passed must not be construed as signifying any approval, direct or implied, of the Confederating Act.

The preamble declared that “This House, impressed with their responsibilities to the people they represent, feel themselves called upon, in the interests of the country, to adopt

such measures of legislation as may be necessary to invite the introduction of foreign capital, promote industry and generally for the improvement and amendment of the law."

In a subsequent resolution the House protested against the action of the Imperial authorities in refusing to grant an inquiry into the grievances of the province and asserted that they felt bound to use all constitutional means for the restoration of their liberty, peace and prosperity as a colony of the Crown and in their behalf invoke the sympathy and support of the people of the adjacent colonies and the lovers of freedom in every part of the civilized world. (House of Assembly Journals, 1868, pages 52 and 86.)

### **The Annand Government's Memorial anticipates injuries from Confederation.**

On the same date (14th August, 1868) on which the resolution just referred to was moved in the House of Assembly, there was tabled by command of His Excellency the Governor, a minute of the Executive Council of Nova Scotia relative to the despatch of His Grace the Duke of Buckingham and the subject to which it referred. The minute of the Executive Council attached hereto covered the arguments already made and stated, *inter alia*:

"But let us see how Confederation has operated upon Nova Scotia already. It has  
 "been in existence one year; we have already had our tariff raised and our indirect  
 "taxes very highly increased; we have been saddled with vexatious duties, with taxes  
 "on newspapers and a tax upon our bank circulation; our railroads have been taken  
 "from us and under Confederation can be sold and the price taken into the Canadian  
 "chest; we have had all our revenues from customs taken from us and we have been  
 "placed on a trifling allowance which is totally insufficient for our support; refusal  
 "to renew the Reciprocity Treaty; and the consequent closing up of our coal trade,  
 "and the general stagnation of commerce are probably chargeable on Confederation  
 "and its natural effect of excluding the manufactures of United States from the Mari-  
 "time Provinces by means of a high Canadian tariff."

The Memorial then went on to anticipate some of the prospective injuries of Confederation:

"The Canadas and the Maritime colonies having separate interests, require  
 "different systems of trade, and therefore the regulation of trade and com-  
 "merce being by the Union Act exclusively vested in Canada, our interests will al-  
 "ways be liable to be sacrificed. . . . Canada may impose burthensome and  
 "ruinous export duties on our fish, coal, gypsum, stone, lumber and other pro-  
 "perty."

Further references were made to the likelihood of direct taxation, owing to an insufficiency of revenue to carry on the public business and maintain the roads and bridges of the province.

The memorial called attention to section 118 of the British North America Act, which stated that the provinces of Nova Scotia and New Brunswick would be paid an annual grant equal to eighty cents per head of the population as ascertained by the census of 1861 and each subsequent decennial census until the population of each of those two provinces amounted to 400,000 souls, at which limit said grant should thereafter remain. The Memorial pointed out that when the population doubled, or increased to 800,000, and the expenses thereof had also doubled, the rate per capita would amount to forty cents a head and that



as the expenses were doubled the province would only have half as much to meet them. As the population and expenses increased the grants would diminish in an equal ratio. The Memorial set forth that the Government and people of Nova Scotia "should use all constitutional means to have themselves free from a Confederation that has been forced upon them in an unconstitutional manner," and concluded, signed by all the members of the Executive Council, as follows:

"We shall proceed with the legislation and other business of the Province, protesting against the confederation, boldly and distinctly asserting our full purpose and resolution to avail ourselves of every opportunity of extricating ourselves from the trammels of Canada; and if we fail, after exhausting all constitutional means at our hand, we will leave our future destiny to Him who 'will judge the people righteously and govern the nations upon earth.' "

#### **Buckingham appeals to loyalty.**

This Memorial was in due course despatched through official channels to Her Majesty's Government, and the Duke of Buckingham replied refusing to review the case, stating that he did not find any inaccuracy in the statement of facts contained in his former despatch, and concluded by saying:

"I leave it to the inhabitants of Nova Scotia who have long deserved and I hope and believe still deserve the character of faithful subjects to her Majesty, to judge of the announcement so confidently made on their behalf as to the circumstances under which they will be disposed to withdraw from allegiance to the British Crown and the means to which they will be prepared to resort for the effecting of that withdrawal."

#### **Lieutenant-Governor Doyle secretly opposes views of his Government.**

There was considerable delay in forwarding the address of the House of Assembly with the minute of the Executive Council, and these did not go forward to the Duke of Buckingham until the 12th of September, 1868, by mail from Ottawa. An accompanying document from the Lieutenant-Governor of Nova Scotia, General Hastings Doyle, dated the 29th October, 1868, set forth his personal views:

"I have not failed to direct at sundry times the attention of His Excellency and through him of Her Majesty's Government, to the condition of Nova Scotia, the present state of feeling in the province, the causes which have led to it, and the policy which, in my opinion, would be most likely to lead to a solution of the present political difficulties in a manner satisfactory to the people of the province and consistent with the interests of the Empire. If I on the present occasion only earnestly call attention to the accompanying documents, which speak for themselves, and decline to establish that which may become an inconvenient precedent by lending the sanction of my endorsement to statements, however true, put forward by one party in a political contest, I do so because I believe that I shall best further the interests of Nova Scotia and discharge with stricter impartiality the duties entrusted to me if I adhere to this course which I have always heretofore pursued."

The agitation continued, and owing to the change of ministry in England there was some expectation by the Provincial Government that another delegation to England to lay

Nova Scotia's case before the new ministry and parliament might be successful. Meantime, Hon. John A. Macdonald and delegates from Canada were on the way to Halifax to discuss better terms. Mr. Howe, realizing the futility of further opposition, made a virtue of necessity and announced that if the propositions of the Dominion Government were fair and reasonable, he was prepared to give the scheme a trial.

The whole situation is covered in a confidential communication from the Governor, General Hastings Doyle, to the Governor-General, December 29th, 1868, in the course of which he reviewed and criticized the attitude of his constitutional advisers in the government, related the difficulties on the question of loyalty he had with his Attorney-General, showed that in the interval Mr. Blanchard, having been unseated for the county of Inverness, had failed to secure his re-election, leaving but one Confederate in a house of thirty-eight members, and stated that Nova Scotia had it in contemplation to send a deputation to Prince Edward Island and Newfoundland to arrange a closer political union with these colonies. In respect to the Government's policy he said:

"Mr. (Premier) Annand's policy is centered at present on sending another delegation to England, to lay Nova Scotia's case before the new ministry and parliament. No decided course is laid down for the future when the delegation fails, as fail it will, but the talk of course is of war to the knife and annexation to the United States."

After alluding to Mr. Howe's position and the possibility of his accepting office in the Dominion Government, the Lieutenant-Governor says:

"Should he (Howe) fail, the aspect of affairs will not be encouraging; as I must repeat to your Excellency the complaint I have more than once made to Lord Monck that the Confederate party have, since the elections of 1867, done absolutely nothing to alter the current of popular opinion, or to strengthen my hands in the task of conducting the Government with a Council pledged to oppose and thwart the Confederation Act by every means in their power."

Letters continued to pass between Government House at Ottawa and the Secretary of State for the colonies, urging an immediate reply to the House of Assembly resolution, and the Governor-General intimated (January 7th, 1869):

"That an answer from Her Majesty's present Cabinet conveying a decision similar to that of the late Cabinet would, it is stated, on all hands produce a great effect. It would, it is expected, form a firm *locus standi* for the proposed coalition because as a deliberate judgment and agreement of the leaders of the two great parties in the Mother country, it would produce a profound impression in the minds of the people and dispose them to enter, if not with satisfaction at least with calmness, upon the consideration of their future prospects."

On the 13th of January, Earl Granville replied to the Governor, Sir John Young, in a despatch of which the following is a copy, setting at rest finally the hopes of the Provincial Government for any change in the attitude of the British Ministry and Parliament in respect to the confederation of the Provinces of Canada:

**Parliament will not entertain Repeal—Granville's Answer.**

Sir:

"I have the honor to acknowledge the receipt of your despatch No. 3 of 12th ultimo, transmitting copies of certain resolutions addressed by the House of Assembly to the Lieutenant-Governor of Nova Scotia, respecting the recent confederation of the North American Provinces, and of a statement on the same subject addressed to the Lieutenant-Governor by his Executive Council.

"The statement of the Executive Council was forwarded to the Secretary of State in Lord Monck's despatch No. 169 of 8th September, which was acknowledged by the Duke of Buckingham and Chandos in a Despatch No. 235 of 8th December.

"The resolutions of the Assembly appear not to have been before His Grace when the despatch was written, but they do not call for any lengthened observation from me.

"I greatly regret that a majority of the House of Assembly should entertain and express the sentiments embodied in some of these resolutions.

"But I can hold out no expectation that Her Majesty's Government will propose, or that Parliament will entertain, any measure for the repeal of the Act of 1867. That Act was passed at the desire of the three provincial legislatures, its operation has not hitherto been unsuccessful, and on the faith of it, important transactions are already in progress. Further, I have reason to believe that the Government of the Dominion is disposed liberally to fulfill the expectation expressed in my predecessor's despatch No. 107 of the 10th of June last, that the Government and Parliament of Canada would modify any arrangement respecting taxation or respecting the regulation of trade and fisheries which might prejudice the interests of Nova Scotia and of the maritime portion of the Dominion.

"I most earnestly hope, therefore, that even those inhabitants of Nova Scotia who are not convinced of the expediency of the Confederation will see it to be their duty and their interest to abandon an agitation which is only calculated to perpetuate disunion, to arrest the progress of settlement and commerce, and to divert the efforts of the Government and Legislature from those objects of general utility to which they ought to be steadily directed.

I have, etc.,

GRANVILLE.

*"Gov. the Right Hon.*

*"Sir John Young, Bart."*

Meantime negotiations between Mr. Howe, Dr. Tupper and Hon. John A. Macdonald had been progressing.

**Macdonald and Howe enter into Negotiations.**

On the 6th day of October, 1868, in pursuance of instructions received, Hon. John A. Macdonald wrote to Mr. Howe setting forth in a private communication the despatches of the Duke of Buckingham, and stating that the Canadian Government were not only ready but anxious to enter upon a frank and full discussion of the points referred to in the memor-



andum "and are prepared, in case the pressure of taxation should be shown to be unequal or unjust to Nova Scotia, to relieve that pressure by every means in their power. They are also ready to discuss any financial or commercial problems which may be raised by the Nova Scotia Government or Mr. Howe and the representatives of Nova Scotia in the Parliament of Canada." (Dominion Documents.)

Mr. Howe, after reciting the manner in which Confederation had been brought about, agreed with the representatives from Nova Scotia at Ottawa to support the Government on condition that the commercial relations with the United States were placed on a satisfactory footing and the financial aspects of Confederation settled satisfactorily and equitably to Nova Scotia.

### **The Better Terms.**

The Minister of Finance, Hon. John Rose, and Mr. A. W. McLelan conducted the financial inquiries. After consideration of the financial position of the province, its revenue and expenditure, Mr. Rose submitted a report of the Auditor-General of Canada analysing the same. As a result Messrs. Howe and McLelan accepted proposals from the Federal Government which are contained in a report of the committee of the Privy Council dated the 25th of January, 1869, as follows:

"1st. That the debt of Nova Scotia, on entering the union, be placed as "\$9,188,756, and that province be relieved from any charge of interest, unless her "debt exceed that sum, and—

"2nd. That for ten years, from the 1st July, 1867, an annual subsidy of \$82,698, "be paid to that province.

"The committee further report their concurrence in the recommendation of the "Finance Minister, that Nova Scotia be debited, after the completion of the prov- "ince building, with interest on the cost of that building, until it shall have been "placed at the disposal of the Dominion."

### **Memorandum from Minister of Finance.**

This was based on a memorandum to the Minister of Finance prepared by the Auditor-General, in which the latter answered categorically certain questions of the Minister of Finance:

Q.—The Auditor-General will please report: 1. With what amount of debt would Nova Scotia be entitled to enter the Union supposing the same debt per head of the population as ascertained by the last census was assigned to her as to New Brunswick? A.—\$9,188,756 Canada currency.

Q.—2. What sum would be equivalent to the \$63,000 given to New Brunswick for ten years, assuming that the same rate per head is given to the population of Nova Scotia? A.—\$82,698 Canada currency.

Q.—What was the debt of Nova Scotia in October, 1864? A.—\$4,846,145, September 1864.

Q.—And what is the present ascertained debt of Nova Scotia? A.—\$9,288,121 now, including our liability to the contractors Windsor and Annapolis Railway, Nova Scotia currency, equal to \$9,040,439 Canada currency.

Q.—4. What has been the outlay since October, 1864, charged to Nova Scotia on the following works?

a. Truro and Pictou Railways? A.—\$2,247,834.29 Nova Scotia currency.

b. Province Building? A.—\$220,000, estimated cost, Nova Scotia currency.

c. St. Peter's Canal? A.—\$124,447.70, Nova Scotia currency.

d. Halifax and Truro Railway? A.—\$82,007.95, Nova Scotia currency,—\$2,674,289.94, Nova Scotia currency, equal to \$2,602,975.57, Canada currency.

Q.—5. What is the average percentage of interest payable on the debt of Canada at the Union? A.—In Canada, 5.23-100 per cent., assuming the total debt to be \$72,228,258.

Q.—And that of Nova Scotia at the same date? A.—In Nova Scotia, 5.37-100, as it stood June 30, 1867, 5.46-100 as now estimated.

JOHN ROSE.

JOHN LANGTON,  
Auditor-General.

It should be noted that Nova Scotia received, in these "Better Terms" no special consideration, but was allowed an additional debt equal to the debt which had been assigned to New Brunswick, while the special allowance for the period of ten years was the equivalent of a similar amount given to New Brunswick for a like period. The third "better term," with reference to debiting the cost after the completion of the Province Building (present post office) was carried out in connection with the transfer of that building.

These terms, although regarded by Mr. Howe and Mr. McLelan as "on the whole satisfactory," and as evidence of a very sincere desire on the part of the Federal Government to meet the just expectations and provide for the local services of the province, did not by any means meet the full claims as presented by these gentlemen. The result was that a number of matters left unsettled continued as a constant source of irritation between the Provincial and Dominion Governments. The claim of the representatives of the province was for a debt allowance of \$9,930,874; \$9,188,756 was allowed. No provision was made for the amount expended for the purchase of right-of-way by the municipalities in connection with railway construction, although urged. In respect to the Eastern Extension Railway, subsequent negotiations secured the principal amount paid out by the province and by the counties for right-of-way through an adjustment before a board of arbitration.

#### **Legislature accepts Additional Subsidy with Reservations.**

The attitude of the Provincial Government and Legislature after the receipt of the despatch of Earl Granville is indicated in a resolution introduced in the House of Assembly on the 12th of May, 1869, and finally passed on the 25th of May. (Journals of House of Assembly, 1869, at p. 29; finally passed, p. 55.)

This resolution referred to the despatch of the Duke of Buckingham of the 4th of June, 1868, which settled upon Canada the responsibility of reconciling the people of Nova Scotia

to Confederation, and to the despatch of his successor, Earl Granville,. It demanded that the advice given by the Duke of Buckingham in his despatch relative to the treatment to be accorded Nova Scotia by the Dominion in respect to taxation, the regulation of trade, and fisheries, be fully complied with. The House declared that it would accept any increase of subsidy offered by the Canadian government as an instalment of the amount justly due Nova Scotia, reserving the right to demand from that government such further sum or sums of money as upon a full investigation of the statistics in relation to population, public property and increased taxation would more fully appear.

The resolution further demanded that the British North America Act should be so amended as to make it less burdensome and injurious to the people of Nova Scotia; that New Brunswick and Nova Scotia should be considered as a unit with separate and distinct interests from the other parts of the Dominion, which could only be guarded and promoted by an increased representation in the House of Commons equal to the number of members allowed to the Province of Quebec; that the members of the Senate should be appointed by the Local Legislatures of the Provinces instead of by the Federal Executive; and that no settlement of the questions involved, either as to principle or detail, should be considered final until submitted for the approval of the people. An amendment to the effect that no mere financial arrangement would satisfy the people of Nova Scotia short of the restitution of their constitution with full powers of self-government was negatived by a vote of seven to twenty-eight. The resolution finally passed by the same figures reversed.

### **Finality Clause in "Better Terms" Act.**

In accordance with the "Better Terms" settlement a resolution was introduced into the House of Commons and a bill based upon it which subsequently became Chapter 2 of the Acts of 1869 of Canada. The Provincial Legislature accepted, as already pointed out, the increase of subsidy given thereby as an instalment only of the amount due Nova Scotia. The Act as finally passed contained, however, this clause, which was not a part of the original resolution or of the bill as introduced:

"5. The grants and provisions made by this Act and the British North America Act, 1867, shall be in full settlement of all demands on Canada by Nova Scotia."

The Journals of the House of Commons, 1869, page 90, show that this clause did not appear in the resolution as introduced by the Minister of Finance, which resolution was the result of the deliberations between the representatives of the Government of Canada and certain representatives of Nova Scotia in the Parliament of Canada.

Various objections were taken by the Federal members from Ontario to the passage of the "Better Terms" bill. Mr. Blake moved in amendment that the basis of union having been fixed and settled, the Parliament of Canada had no authority to make a change therein and that an unauthorized assumption of such power would imperil the interests of the various provinces, etc. This was negatived, 96 to 58, and the resolutions were finally passed by varying majorities in respect to each clause.

The bill based on the resolutions was introduced by the Minister of Finance and in committee, after it had been read the second time, Mr. Blake moved to add section 5 above quoted, which was adopted. (Journals, House of Commons, 1869, page 261.)

The attitude of the representatives from Ontario was that the subsidy to that province should be increased in the same proportion as that to Nova Scotia, though Ontario had an overflowing treasury and a surplus of at least \$500,000 at that time.



The above-quoted "finality clause" was used, as will appear from time to time, as a bar to further negotiations in connection with any readjustment of the subsidy and the extension of the special grant for any enlarged period. But it is evident that the Nova Scotia Legislature, in accepting the amount, did not regard the subsidy arrangements as a final settlement of the difficulty.

### **Mr. Howe Accepts Office.**

Subsequently to the passage of this "Better Terms" Act, Mr. Howe became a member of the Dominion Cabinet, thus vacating his seat in the county of Hants. A by-election followed, and, after a strenuous contest, he was returned for the county with a majority of 383. The Counties of Yarmouth and Richmond, for which Federal by-elections were also held to fill vacancies, returned opponents of the Government by majorities of 622 and 227 respectively.

### **Subsidy Proves Totally Inadequate.**

From 1867 to the present time every Provincial Government has registered its dissatisfaction with the subsidy arrangements and demands have been made repeatedly upon the Dominion Government for better terms, a more favorable consideration of subsidy allowance and other adjustments of Provincial claims.

So far as the smaller provinces are concerned the subsidies paid have proved totally inadequate to provide a sufficiency of revenue to enable their governments to deal satisfactorily with the varied interests entrusted to their charge, and they have been unable to meet the steadily increasing obligations necessary to maintain efficiently their respective government services and to promote the moral and material progress of the people.

The Government of Canada failed to fulfill the expectations of Her Majesty's Government in removing the dissatisfaction in this province with respect to the subsidy allotment, and has never dealt seriously with the question of trade in so far as the maritime portion of the Dominion has been considered to be prejudiced by Confederation.

### **Opposition to "Better Terms."**

Meagre as were the concessions made to Nova Scotia by the "Better Terms" Act of 1869, they were grudgingly assented to by some of Ontario's representatives in the House of Commons. In the session of 1870, Hon. Edward Blake criticized these "Better Terms" strongly, declaring that Confederation would never have been agreed to by the province of Canada if it had been thought that its financial arrangements fixed by the British North America Act could be changed subsequently by the Dominion Parliament. He believed that the people of Ontario had good reason to complain of the terms of the original compact, which, if properly considered, would be found to be "the reverse of fair."

### **Province seeks Continuance of Special Subsidy.**

In 1876 (April 1) a resolution unanimously passed the House of Assembly urging the continuance of the special ten-year subsidy of \$82,698, granted the province in 1869, which would cease in the year 1877, and the Provincial Government was authorized to open negotiations with the Dominion authorities to have it made permanent. (Page 110, Journals 1876, page 250 Debates 1876.)

The Government of New Brunswick being similarly interested in the continuance of its subsidy of \$63,000 had requested the Government of Nova Scotia to cooperate in bringing this claim to the attention of the Dominion authorities, and had a similar resolution passed in its Legislature. The two provinces pressed their claims upon Ottawa. The delegation from Nova Scotia visited the Premier, Mr. MacKenzie, the Finance Minister, Mr. Cartwright, and other members of the Federal Government, in May 1876. On the 19th of February 1877 the Provincial Secretary tabled the correspondence between the province and Dominion respecting the continuance of this additional subsidy. The correspondence between the Governments appears in Appendix 9, Journals House of Assembly, 1877.

The main grounds on which the Provincial Secretary based his demands were as follows:

In 1869 the Minister of Finance—Hon. John Rose—had stated that if no further aid were given, Nova Scotia would be obliged to resort to direct taxation. In 1877 if the additional subsidy were withdrawn it was obvious that Nova Scotia would be faced with the same alternative. There had been no such increase in population as would entitle the province to any considerable increase in subsidy under the rigid terms of 1867. The contention had been made that a greater yearly income would have been received if the province had not spent its debt account for railway extensions. These, however, were really for the advantage of Canada. Section "5" of Chapter 2, Acts 1869, the "finality clause," partook of the nature of an agreement (an agreement however not assented to by the Government of the Province of Nova Scotia) and the expectations on which that agreement was based had, through circumstances beyond control and wholly unlooked for, never been fulfilled. The Provincial Secretary expressed the hope that the urgent claims of Nova Scotia would be met in a generous spirit. The request was referred to the Finance Minister by the Premier, Mr. MacKenzie, and he pointed out that the only way in which such a request could be acceded to would be by a pro rata payment to be made to all the other provinces at the same time.

### **Overriding Necessities of Dominion Government.**

The memorandum submitted by the Minister of Finance, Hon. R. Cartwright, while admitting that the cost of maintaining a Government in a smaller province was relatively greater than that of the larger provinces, expressed it as his unqualified conviction that no additional allowance could be made to Nova Scotia without involving similar grants to other provinces. Mr. Cartwright further observed that an examination of the disbursements of the province of Nova Scotia showed clearly that a very large proportion—amounting to not less than \$380,000 out of a total of \$665,914—was expended on education and the maintenance of roads and highways, both of which services were, he asserted, to a very large extent defrayed in the other provinces from direct or local taxation.

The Minister of Finance concluded by stating that in view of the enormous expenditures to which the Dominion of Canada was then committed and in view of the inexpediency of disturbing the financial arrangements with the several provinces, he felt it his duty to

recommend in the strongest manner possible that no addition be made to the fixed annual charges now existing by a continuance of the sum asked for.

From the Debates (p. 227, House of Assembly 1877) we learn that the Premier and the Minister of Finance made no attempt to controvert the arguments of the Provincial Secretary but contented themselves with refusing the appeal of the province because of "the overriding necessities of the Dominion Government."

### **The Holmes Memorials of 1879.**

A further memorial was presented to the Dominion Government dated 2nd January, 1879, prepared by the then Provincial Secretary of Nova Scotia, Hon. S. H. Holmes. This memorial is an abstract of the financial history of the province since it entered Confederation in 1867 up to the beginning of 1879. (Journals 1879, Appendix 11.) Attached to this memorial are statements showing the revenue and expenditure for the years 1868 and 1877. The total revenue anticipated was \$477,000, of which \$380,000 came from subsidy and allowances, \$50,000 from mines and \$17,000 from crown lands and other sources. It is pointed out that Nova Scotia coal was kept out of the United States by a tariff of 75c per ton and the absence of protection equally operated against its introduction into the Upper Provinces. Mr. Holmes answered Mr. Cartwright's contention that Nova Scotia paid \$380,000 for roads and education which were provided for in other provinces by municipal or local taxation by pointing out that the Government grant for education per capita in Prince Edward Island and New Brunswick was higher in both cases than in Nova Scotia, while in Ontario it was 13 cents lower. The amount raised by Nova Scotia by municipal assessment was \$1.23 per head.

On the 8th of March 1879 a further memorandum was presented by Mr. Holmes, who wrote for an answer to his memorial, but was informed that it was not ready. On the 7th of May 1879 he demanded 11 years' interest at 5% on the amount paid for lighthouses and railway stores, namely, on \$58,964.30, the interest amounting to \$32,432.40. Later the Dominion made a claim for \$19,873.08 for money orders due or issued at the date of Confederation and of \$8,367.77 due by Nova Scotia on account of the Halifax post office, which the province refused to recognize.

### **Vexatious Delays in Negotiations.**

Receiving no reply, Mr. Holmes again on the 28th of November wrote to the Hon. John A. Macdonald. In February 1880 a delegation—Messrs. Holmes and Townsend—went to Ottawa and interviewed the Minister of Finance and the Government, pointing out that coal mine owners paid a royalty of 10 cents per ton and urging the Dominion Government to relieve them of this burden and to pay the province \$200,000 per annum for five years.

It was pointed out that this would be of the same advantage to the coal mining industry as an import duty of 25 cents per ton on American coal, while at the same time the cost of coal to the Canadian consumer would be reduced.

At the ensuing session of the Legislature the Provincial Secretary moved a resolution that a Committee be appointed to prepare an address to the Governor-General respecting the financial condition of the province and urging the claims of Nova Scotia to a share in the Fisheries Award. Conferences were held by the two houses, the address was presented and read. No answer having been received thereto, Dr. Campbell gave notice that he would



move a resolution that the Dominion in failing to answer the resolution of the House in respect to Fisheries had been guilty of discourtesy and injustice.

Finally, on the 14th of February 1880, Mr. Tilley, Dominion Minister of Finance, forwarded a memorandum answering the claims contained in the Holmes memorial. He dealt with the claims for money orders, the amount due for the Halifax Post Office (which he recommended be not charged against the Province) and recommended that \$30,000 be paid to the province as interest on lighthouses and railway stores. As to the claim of Nova Scotia for continuance of the special allowance of \$82,698.00 the minister stated that he had referred the memorial to his deputy, and a copy of his reply was forwarded for the information of the Provincial Government.

The Deputy Minister asserted in his memorandum, as had been stated previously from time to time, that by virtue of sec. 5, chap. 2, 32 Vic. (finality clause) the increase given to the province in debt and subsidy in 1869 had been in full settlement of all demands on Canada by Nova Scotia. He analyzed the estimated provincial revenue, and figured that it could be increased; that there were old debts to be collected and that the expenditure should be reduced, the estimated revenue having been placed at \$500,000 and the expenditure at \$600,000. He stated that Nova Scotia's deficit in the previous year had been due to bad conditions everywhere and that the real question was, not whether Nova Scotia was receiving as much as others, but whether the province was receiving enough revenue to pay her way, which was a question for the federal ministry to decide.

The province replied that the trade in coal with the United States having been lost, the provincial revenue had been accordingly affected, and that the old debts were practically uncollectable. The suggestion that road expenditure should be decreased had been found to be impracticable, as it had been tried and the roads were impassable as a result. The education grant was lower than it had been per capita in 1865, and the grant to Nova Scotia was smaller than those of New Brunswick and Prince Edward Island. They contended that interest should have been paid to Nova Scotia in connection with the debt allowance and the arrears, which had not been done.

### **Dominion Ministry Cannot Recede.**

In 1880, the Deputy Minister of Finance wrote that the "Ministry cannot recede" from the position taken, but that directions had been given to pay interest on railway stores and on the money order claim of \$8,367.77. An Order-in-Council attached showed a recommendation that the sum of \$9,000 be paid to Nova Scotia and charged to its debt account, the minister being unable to recommend compliance with the precise terms of Nova Scotia's request with respect to the money order claims.

On the 2nd of October Mr. Holmes wrote Mr. Tilley recalling the papers forwarded on the 1st and 2nd of March 1880, and asking for a reply. He touched briefly on the matters contained in his letter of the first of March.

On the 29th of October Mr. Tilley presented the report of his deputy on the March correspondence to the Governor-in-Council, recommending its acceptance. The report, dated the 29th of October, 1880, first stated that throughout the whole of the documents lay the fallacious argument that because the province was financially embarrassed the Dominion must come to its aid. This, from the Dominion standpoint, was condemned. He claimed that his statements in previous reports that receipts and expenditures of Nova

Scotia could with economy be balanced were correct, and contended that the statement of revenue and expenditure in Mr. Holmes' letter of the 2nd of October bore this out in view of the large outlay occasioned by extraordinary damage to bridges and roads. He stated that if Nova Scotia could balance a budget in 1874, when it received, exclusive of the ten years' grant, a subsidy of \$470,000, to which should be added local revenue of \$80,000, making in all \$550,000, it should be able to do so now. The only grounds for an increase to Nova Scotia would be if it could be shown that it contributed to the Dominion largely in excess of other provinces; if it paid out of this excess the greater proportion of public expenditures and contributed more largely towards the payment of obligations incurred for the settlement of newer territories, then it would have been fair, if not legal, to give this province some assistance. (Journals of 1882, Appendix No. 14).

### **BETTER TERMS OR REPEAL, 1884.**

The continued refusal of the Dominion Government to grant a continuance of the "Better Terms" subsidy exasperated the successive Governments of Nova Scotia. The Holmes-Thompson Government, being defeated in 1882, was succeeded by an administration of which Hon. W. T. Pipes became Premier. On the 21st February, 1884, James A. Fraser introduced a resolution in the Assembly to the effect that the province must either obtain "better terms" or move for repeal. He showed how inadequate the revenue of \$530,000 was, that Nova Scotia needed a revenue at that time of \$1,000,000 and that it had in 1866 a revenue of \$1,860,000 and an expenditure of \$1,337,730. It had then provided \$743,728 for such local services besides other small services, which would raise the total to about \$800,000.

At that time the province was compelled to keep up these local services and provide \$530,000 for railway construction. The road grant was half of what it was prior to 1867. Taxation was higher; customs rate prior to 1867 was 9% on the total imports. In 1882 Nova Scotia's imports were five and one-half millions less than in 1866. The amount of duties collected was over half a million more than was collected in 1866 and the average rate was then about 20%.

Mr. Fraser also dealt with the difference in excise, and pointed out that Nova Scotia bought much manufactured goods made in Quebec and Ontario, formerly purchased abroad, on which duty was paid, and pointed out that at that date, 1884, the spirit of Confederation was not being carried out.

### **Provincial Claims Again Stated.**

On the 4th March following, a committee was, on the motion of the Premier, appointed to prepare an address to the Governor-General in Council on the claim of the province for a larger allowance. The report of this committee was adopted in 1884 and set forth Nova Scotia's claims very fully and succinctly. (See Journals 1884, page 102.)

The claim was made that the Dominion Government had never carried out the request of the Imperial Government set forth in the Buckingham and Granville despatches, as had been promised by Hon. John A. Macdonald. There was an inequality in customs collections in Nova Scotia as compared with Ontario and Quebec. Nova Scotia had been contributing very materially through customs and excise an increasing amount to the

Dominion Treasury, and yet very scant provision was being made for local services and only \$120,000 for roads and bridges, about one-half of what had been expended before the union.

The customs tariff had been very greatly increased and the increase applied to the purposes of general government by the Dominion, leaving the province with increasing demands and an inadequate subsidy. The revenue provided by the British North America Act was insufficient and additional subsidy was absolutely necessary. The Dominion Government had appropriated the total of the fisheries award for privileges accorded American fishermen within the territorial limits of Nova Scotia and the other maritime provinces.

Mr. Fielding, in the meantime, succeeded Mr. Pipes as Premier and Provincial Secretary. Early in 1885 delegates were appointed to go to Ottawa for the purpose of securing an increased subsidy, to deal with the claims set forth in the address of the House in 1884, make other adjustments as between the Dominion and province in respect to railway construction, report on amounts expended by the province since 1867 on public harbors, breakwaters, piers, etc., and claim compensation for the amount expended on account of navigation securities.

#### **Ottawa Delays Reply.**

On July 3rd, 1885, Mr. Fielding wrote Sir John A. Macdonald that no reply had been received to the address of the House in 1884. He quoted the repeal resolution of 1884 introduced by a private member who had been persuaded to withdraw it. He also intimated that while he was not at liberty to represent that the adjustment of matters set forth in the address of the Nova Scotia legislature would remove all grounds of discontent, yet he felt assured that he spoke in the name of all parties in the province when he said that so long as the Provincial Government labored under the disadvantages which the address so clearly pointed out, popular discontent must inevitably increase.

As no reply had been received to the 1884 resolution, the delegation had been sent to Ottawa in 1885. In the session of 1885 a private member introduced a new repeal resolution in the House of Assembly. The debate on this resolution was postponed as the Government expected that a satisfactory reply would shortly be received from Ottawa. No answer having been received, the Provincial Government moved and carried a resolution that if the Government of Canada failed to make provision during that session to place Nova Scotia in a better financial condition in the union, it would be necessary to consider the advisability of the severance of the political connection between the province and the Dominion of Canada. Mr. Fielding transmitted this resolution to Ottawa and requested an immediate reply.

#### **Claims Disallowed.**

This reply was not forthcoming until December 18th, when the Secretary of State wrote that the Governor-General in Council had had under consideration the memorial of the House of Assembly and would not allow the claims of the province. The Dominion reply set forth that the debt allowance had been increased and a special subsidy had been given for ten years, which it was claimed was an adjustment of the grievances in accordance with the instructions of the British Government.



The Dominion Government's reply pointed out that there had been accretions to the debt account of Nova Scotia in 1873 and 1874 in common with other provinces, and it analyzed the importations into the province of Nova Scotia with a view to showing that the inequality of customs duty was more apparent than real.

It also set forth that if the local government had left its moneys in the debt account at Ottawa, instead of drawing on its credit there, it would have received yearly a larger allowance. But as these were withdrawn for necessary public works, which would otherwise have been provided for by borrowed money out of capital account, the fallacy of this argument is at once apparent.

All Nova Scotia's claims were refuted and refused with the exception of allowance for a clerical error of \$5,000 which was cured by legislation and the province received \$5,000 to which it was justly entitled. The conclusion is: "To concede the principle which the memorial would urge, that when through exceptional expenditures any of the provinces of the union became financially embarrassed, it is the part of the Dominion Government to go to their relief, would destroy the whole financial basis of Confederation."

### Province Again Presents Its Case.

In 1886 a further address was passed by the House, setting forth that the settlement of 1869, referred to as being a compliance with the request of the Imperial Government in regard to Nova Scotia, was not made with the government of this province but with Mr. Howe and Mr. McLelan, who were then Federal representatives, and that the province was not bound as in a final statement by the acts of public men who had no authority from the government. The legislature of the day only accepted the "Better Terms" subsidy as an instalment of what was due the province. The statement previously made was reaffirmed, that the instructions of the Imperial authorities to the Federal Government and the promises of Sir John A. Macdonald in that connection had not been carried out. Neither had they been carried out with respect to the fisheries.

Nova Scotia was, under Confederation, to have the same financial terms as New Brunswick. After the union New Brunswick got a refund of \$250,000 bonus or grant to aid in the construction of a railway from Painsec to the borders of Nova Scotia, and later \$150,000 annually in lieu of timber export tax, which only amounted to \$65,000 per year, while the lumbermen of New Brunswick were relieved from the tax, or a relief of a tax equal to \$1,300,000 capitalized, and a grant of \$3,000,000 capitalized to the province. This, with a further sum of \$150,000 paid as the balance on the Painsec Railway, made in all a sum capitalized equal to \$4,700,000 of money paid New Brunswick, for which Nova Scotia had received no equivalent, justifying the statement that there had been an adverse inequality in respect to the financial position of Nova Scotia.

The question was not what had Nova Scotia received, but what was she entitled to receive under the British North America Act and the Imperial instructions.

As to debt account and railways, the expenditure in Nova Scotia being less than in the other provinces, there was no ground for the statement that Nova Scotia, if it had not spent its debt allowance on railways, would have had enough to balance its budget.

Even if the sum mentioned, viz. \$110,000, had been received by way of interest on debt account, it would not have given the province a revenue of \$750,000 and would not have removed the inequality in local revenues of the different provinces.

The expenditure for fisheries protection could not be claimed by the Dominion as a special charge against Nova Scotia, as the Dominion was bound by the British North America Act to protect the fisheries. The Dominion had received more out of the territorial waters of Nova Scotia by the Halifax award than it had spent in protection. From 1867 to 1884 the Dominion spent on canals, public works, harbors and rivers:

|                            |              |
|----------------------------|--------------|
| In Ontario and Quebec..... | \$44,615,072 |
| In New Brunswick.....      | 2,276,120    |
| In Nova Scotia.....        | 2,127,187    |

This surely shows less than justice to Nova Scotia in the matter of Federal expenditures.

The Halifax railway debt—representing stock Halifax had agreed to take in the railway since acquired by the Dominion—was an asset at Confederation and passed to the Dominion under the British North America Act, which could be pleaded as a bar to any action by the province. The principle had been conceded by the Dominion, as the advance made by New Brunswick to the company building the road from Painsec to the Nova Scotia border was repaid (\$400,000), and the Dominion had refunded to Quebec \$3,000,000 on account of roads held by companies and not by the Dominion. The Dominion had taken possession of the whole railway and was receiving revenue from it<sup>e</sup>.

The memorial set forth the following claims of the province against the Dominion:

- “(a) Nova Scotia should be granted amounts pro rata with New Brunswick.”
- “(b) Refund of Halifax railway debt with interest since 1867”
- “(c) Refund of monies advanced by counties and the province to pay railway damages assessed against the counties on account of railway construction.”
- “(d) Refund of subsidy paid by Nova Scotia to Eastern Extension Railway, “which is now owned and operated by the Dominion Government”.
- “(e) This province should be granted such sum of money as shall place her “on the same footing as Ontario and Quebec, under the act whereby the Dominion “assumed in 1873 the debt of \$10,500,000, up to that time charged against the “above named provinces, the provinces of Ontario and Quebec being thus relieved “of that charge, while the assets which had been left with them for the purpose “of paying the interest on the \$10,500,000 still remain vested in the two provinces “and from which they derive a large amount of revenue.” (Journals 1886, pages 91-96, appendices 12 and 12A.)

The memorial closed by pointing out that the province had given to the Dominion at the time of union an amount of valuable assets far in excess, considered with reference to our public debt, of any other of the provinces forming a part of the Union. It was further submitted that union could only be maintained by meting out to all its members simple justice, and the hope was expressed that wise counsels might yet prevail and that the province of Nova Scotia might speedily receive that fair measure of justice to which it was justly entitled and which yet remained to be accorded.

In the Dominion Parliament from time to time the question of better terms and adjustment of subsidies had been raised by Nova Scotia representatives. (See Dominion Debates, March 17, 1879, pp. 490 and 658.)

In 1886 on a motion for papers a further debate took place on the question of obtaining from the Dominion Government consideration for Nova Scotia's claims. In 1887 a similar motion was made.

### REPEAL RESOLUTION, 1886.

On May 8th, 1886, a resolution passed the House of Assembly setting forth that conditions inimical to Nova Scotia had not been removed and recommending that an appeal be made to the Imperial Government for the repeal of Confederation and the creation of a Maritime Union, or failing this, withdrawal of Nova Scotia only, and inviting an expression of the will of the people in the coming election. (Journals 1886, page 147 et seq.)

Following the session of 1886 the House was dissolved, the election being held on June 15th of that year. The result was that 30 members were returned in support of the Government's policy to 8 who were opposed to it. At this time the majority of the members of Nova Scotia in the Dominion House were opposed to repeal of the union.

A subsequent Dominion election was held in February, 1887, and instead of Nova Scotia reasserting its decision of the 15th June previously and declaring for repeal, the majority of Nova Scotia members elected to the House were in support of Confederation and of the Dominion, the vote being 14 to 7.

### REPEAL DEBATE, 1887.

At the following session of the legislature, 1887, the Provincial Secretary, Mr. Fielding, introduced a resolution which recited the facts in respect to the failure of the Dominion to implement its promises, and the consequent widespread discontent throughout the province; that after many years' experience successive governments found the objections to union, apply with greater force than in the early period of Confederation; that the feeling of discontent with regard to the final arrangement had become more general and more deeply seated than ever.

The resolution also laid emphasis on the changed attitude of the people of the province towards the repeal of the union as evidenced in the two elections, first provincial, then federal, and stressed the importance of having the representatives of the province in the two parliaments in harmony. It was therefore under these altered circumstances inexpedient to apply to the Imperial Government for repeal. The resolution nevertheless emphasized the great disadvantages suffered by the province and affirmed that unless a material change took place in its commercial relations, the discontent of Nova Scotia would continue and increase, and it would be necessary to submit again the question of separation from Canada to the people of the province for their decision. An extended debate arose thereon.

The Opposition amendment, moved by Dr. MacKay, leader of the Conservative group, set forth that the continuance of the agitation for repeal was productive of great injury to the public welfare, and affirmed that the rights of the province should be championed by legitimate constitutional means, through its representatives in the



provincial legislature as well as the Dominion Parliament who might press at any time when occasion should demand for an amelioration of its financial condition on fair and equitable terms. This was defeated 27 to 5. The main resolution then passed 24 to 8.

### **An Annexation Amendment.**

An amendment moved to the resolution in the course of the debate urged that the expenses of the province be curtailed, that subsidies to railways and other works, which should be financed by the Federal Government as pertaining to trade and commerce, be stopped, and that failing a remedy the whole matter should be submitted to the people with a view to the repeal of the union, "as a first step to asking the Government of the United States to admit Nova Scotia as a state of the Union, which is no doubt our ultimate commercial destination." This latter amendment being seconded and the House dividing thereon, there appeared for the amendment but one member, as against 26 negative votes.

### **Subsequent Attitude of the Legislature.**

From the 20th to the 28th of October, 1887, an interprovincial conference was held at the city of Quebec, at which important resolutions respecting the readjustment of the Federal subsidy and of the relations between the Dominion and the provinces were considered and passed. A reference to this and subsequent conferences will be given later. The recommendations then made had the effect of quieting the repeal agitation, as there was some evidence of a desire to improve the financial and commercial conditions of the several provinces of the Dominion.

In the sessions of the legislature of 1887-88 and subsequent years, resolutions were introduced dealing with commerce and trade relations with the United States. These were matters which properly fell under the Federal jurisdiction.

The resolution proposed by the Attorney-General, Mr. Longley, did not represent the views of the Government as such, but reflected a considerable body of public opinion which was prevalent at the time.

Reference by speakers in the debate on the address in reply to the speech from the throne continued to be made to the question of repeal of the union. Towards the close of the session, on the motion of Mr. Roche, the House went into committee to consider the financial condition of the province and its financial relations with the Dominion.

The resolution recited the efforts made in 1878 and subsequent years for an increase of subsidy, to which no answer had been returned, and the fact that the legislature had by joint resolution of both Houses, applied for an increase to the grants for public service without any response; that the moneys at the disposal of the Government of Nova Scotia were inadequate to defray the expenses of administration devolving upon the province; that the customs duties paid by the province of Nova Scotia to the Dominion of Canada were increasing and sufficient to warrant an increased allowance to this province; and urging the Government to take immediate and vigorous steps to obtain a readjustment of the financial relations between the Governments of the Dominion and of the Provinces and to obtain such increase in the subsidy paid to this province as might be just and reasonable.

At almost every session of the House of Assembly between 1891 and 1898, the inadequate financial treatment accorded Nova Scotia by the Federal Government was warmly discussed, and the claim repeatedly put forward for a return to the province of large sums previously paid out by the Local Government in the shape of railway subsidies.

### INTERPROVINCIAL CONFERENCES BEGIN.

In 1887 the Premier of Quebec, Hon. Honore Mercier, invited to Quebec in conference the Prime Minister of Canada and colleagues, and the premiers of all the provinces of the Dominion to discuss questions relative to the autonomy of the provinces, their financial relations with the Federal Government and other matters of common provincial interest.

The provinces of Ontario, Quebec, Nova Scotia, New Brunswick and Manitoba were represented. The Federal Government, though invited, was not represented.

A record of the resolutions and of the address of the Prime Minister of Quebec presenting the subjects for discussion at the conference, of which there were twenty-two in number, included:

1. Definite readjustment of the Federal subsidy so that it may never hereafter be altered.
2. Payment by the Federal Government of the cost of administration of justice in criminal matters, etc.
3. Surrender to the provincial authorities of the right to regulate and impose excise duties.
4. Final and absolute transfer to the provinces of all public properties which had been given over to them either by the Union Act or in any other manner before or since the 1st of July, 1867.
5. Final and definite settlement by statute of the northern limits of the provinces of Ontario and Quebec.
6. Concession to the provinces of the power of imposing export duties on the produce of their forests and mines.

### Nova Scotia Participates, but with Reservations.

It is interesting to point out that the representatives from Nova Scotia placed a minute upon the record of the proceedings to the effect that: "In view of recent movements in the province of Nova Scotia the representatives of that province desire to place on record that they participated in deliberations of the conference upon the understanding that while they join the representatives of the sister provinces in seeking reform in matters which are of common interest, they do so without prejudice to the right of the government, legislature or people of Nova Scotia to take any course that may in future be by them deemed desirable with a view to the separation of the province from the Dominion."

Twenty-two resolutions were adopted by the conference, eighteen of which would require amendments to the British North America Act in order to be effectuated. Resolution 17 dealt with the question of an alteration in the subsidy relations between the provinces and the Dominion. The very considerable increase in the revenue of the Dominion at that time was cited. While in 1867 20% of the Federal revenue was paid to the provinces, in 1887 this had diminished to 13% though the Dominion revenue from customs and excise had very materially increased. It was recited by resolution that the actual expenses of government in the province exceeded the amounts provided by the British North America Act, and several of the provinces were not in a condition to provide by direct taxation or otherwise for the additional expenditure needed and in consequence had from time to time applied to the Federal Parliament and Government for increased annual allowances.

### **Proposal of Increase of Government Allowances to Provinces.**

A proposal followed for "a final and unalterable settlement of the amount to be yearly paid by the Dominion to the several provinces for their local purposes and the support of their governments and legislatures."

The scheme suggested, which was subsequently adopted in the legislation of 1907, proposed a graduated scale of the sums to be paid for support of government from \$100,000 to \$240,000 where the population of any province exceeded 1,500,000. The amount previously granted ranged from \$50,000 to \$80,000 and instead of an annual grant per head of population, which was fixed for Ontario and Quebec as ascertained by the census of 1861, the change suggested would make the annual payment thereafter at the same rate of eighty cents per head, but on the population of each province as ascertained from time to time by the last decennial census, until such population exceeded 2,500,000, then at the rate of sixty cents per head for so much of such population as should exceed 2,500,000.

This alteration of the rate would have affected the yearly grants to be made to the provinces of Ontario, Quebec and Nova Scotia. New Brunswick had not reached her maximum of population, 400,000, and would not be affected by it at that date.

No steps were, however, taken at that time for the purpose of amending the British North America Act by the Government of Canada, nor for twenty years thereafter.

### **The Resolutions Debated in Nova Scotia Legislature.**

The 1887 conference and the resolutions adopted thereat, particularly the seventeenth resolution, formed the topic for the discussion of those who debated the address in reply to the speech with which the 1888 session of the Nova Scotia Legislature was opened.

The Premier, Mr. Fielding, said in respect to these resolutions: "We appeal to the sovereign power of England to say that the terms shall be readjusted, and to determine whether the resolution shall become law or not rests with the Imperial Parliament, which we are all bound to recognize as the supreme power in the Empire. Year after year we have been straining every effort to obtain an addition to our revenue, and the gentleman who preceded the honourable gentleman as leader of the Opposition, united with us in saying that such an addition was necessary and that if we failed to obtain it we would not be able to carry on the affairs of the province with efficiency or dignity." (Debates 1888 pp. 10 and 11.)



A resolution was subsequently passed, (Debates 1888 page 253), addressed to the Lieutenant-Governor, advising him that the House of Assembly had approved of the resolutions respecting the amendments to the British North America Act adopted in Quebec, and praying that the Lieutenant-Governor would transmit such resolution through His Excellency the Governor-General to the Secretary of State for the Colonies with a view to securing the enactment by the Imperial Parliament of amendments to the British North America Act of 1867, in accordance with such resolution.

### THE 1902 CONFERENCE.

In 1902 a second interprovincial conference was held at Quebec, called by the Premier of that province, Hon. Mr. Parent. Mr. Parent recognized in calling this conference that "The Dominion has taken large development, its population has increased in a fair degree and the public revenue has also been steadily increasing. As a consequence of the increase of population the provinces in their respective spheres of action are called upon to make provision for larger expenses, namely, the administration of justice, public instruction, etc. etc., and this without any increase of revenue worthy of notice."

Among the matters to which attention was drawn by the chairman was the application by four of the provinces for a part of the indemnity paid on account of the fisheries by the United States in pursuance of the award of the Halifax Commission. Another subject for consideration was the readjustment of the Federal subsidy, which was placed clearly before the Conference by the Premier of Quebec, who reaffirmed the position taken by the interprovincial conference in 1887, but suggested that the rate per capita be fixed at \$1.00 and not at 80c. The justification for this increase per head was founded in the necessity for meeting expenses of the administration of criminal justice, respecting which a distinct claim had been made at the 1887 conference.

The memorandum placed before the conference by Premier G. W. Ross, of Ontario, stated: "That the Fathers of Confederation had a very inadequate conception of the demands which 35 years of development would make upon the provinces is quite evident from the speeches delivered while the Quebec resolutions were before the Legislative Assembly of Canada." He quoted Sir A. T. Galt (Confederation Debates page 69) who, in referring to the revenue necessities of the provinces after taking an average of the expenditure during the past four years to meet the cost of civil government and legislature for local purposes, said that "there will be available in the whole Province of Canada the sum of not less than \$1,043,015.00. It must I think be admitted that when those charged with the administration of affairs in Upper and Lower Canada exceed this amount they will be guilty of a degree of profligacy and extravagance for which a speedy remedy will be found by the people."

Mr. Ross said further that "without waiting to discuss whether, at the time of the union, the provision made for the provinces was not generous, (having regard to available revenue and the wealth of the country) it is quite clear that this provision was made without adequately anticipating the growth of population and the urgent demands which modern conditions imposed upon the provinces in the way of education, hospitals and charities, the administration of justice and other expenditures of a local and necessary character. The small household with its moderate wants, on the basis of 1861, is very different from the larger household of 1901 with its many wants, and the proposition now for consideration is: Should not the terms of the Union Act be amended so that automatically

the subsidies from the Dominion would bear the same relation to the wants of the population at each decennial census as presumably they bore at the time they were first settled?"

The conference unanimously adopted resolutions setting forth the amounts now paid by way of subsidy allowances to the provinces, recommending an amendment to the British North America Act to provide for increases of subsidy along the lines suggested by the conference of 1887.

These resolutions were submitted by the respective governments to the legislatures and were adopted by the Legislatures of all the then existing provinces excepting British Columbia (House Assembly Debates N.S., 1903, pages 81, and 233 et. seq.)

### **The 1906 Conference.**

In October 1906 a conference of provincial premiers was convened by the Prime Minister of Canada, Sir Wilfrid Laurier, at which representatives of all the provinces were present. It was unanimously resolved that the conference resolutions of 1902 be pressed upon the Government of the Dominion for immediate and favourable action, under reserve of the right of any province to then submit to such Government memoranda in writing concerning any claims it might have to larger sums than those set out in the said resolution, or to additional consideration or recognition, and that a measure be submitted to the Parliament of Canada at the next session for payment of such increased subsidies, pending an amendment to the British North America Act.

An amendment to the resolutions of 1902 was adopted unanimously, altering clause C of resolution No. 1, whereby the population as ascertained by the last decennial census was to govern except as to British Columbia, Manitoba, Saskatchewan and Alberta, "and as to these four provinces, the population to be taken to be that upon which, under the respective statutes in that behalf, the annual payments now made to them respectively by the Dominion are fixed until the actual population is by the census ascertained to be greater, and thereafter the actual population so ascertained to govern."

### **Additional Allowance for British Columbia.**

A resolution was passed to the effect that "in view of the large area, geographical position and further exceptional physical features of the province of British Columbia, it is the opinion of the conference that the said province should receive a reasonable additional allowance for the purpose of civil government, in excess of the provisions made in the Quebec conference of 1902, and that such additional allowance should be to the extent of \$100,000 annually for ten years."

British Columbia did not concur in this resolution, submitting that it was a question between the Government of British Columbia and the Dominion Government solely, and the Premier of British Columbia departed from the Conference, declining to take any further part in the proceedings.

### **The Additional Subsidy Allowances of 1907.**

The representations of the provincial premiers made to the Dominion Government were successful, and on the 25th of March, 1907, Sir Wilfrid Laurier moved in the Do-

minion Parliament an address to the King, praying that a measure be presented to the Imperial Parliament repealing the provisions of section 118 of the British North America Act and substituting therefor other provisions. These provisions form the basis upon which the subsidies are now paid to the provinces, with certain exceptions which will be dealt with later.

The substituted provisions follow:

### For Support of Government.

First:

|  |           |
|--|-----------|
| Where population is under 150,000 a sum of.....                            | \$100,000 |
| Where population is over 150,000 but not exceeding 200,000 a sum of.....   | 150,000   |
| Where population is over 200,000 but not exceeding 400,000 a sum of.....   | 180,000   |
| Where population is over 400,000 but not exceeding 800,000 a sum of.....   | 190,000   |
| Where population is over 800,000 but not exceeding 1,500,000 a sum of..... | 220,000   |
| Where population exceeds 1,500,000.....                                    | 240,000   |

Second: A subsidy of 80c. per head on population as ascertained from time to time by the last decennial census until the population exceeds 2,500,000 and then at the rate of 60c. per head.

Third: An additional annual allowance of \$100,000 shall be made to British Columbia for a period of ten years from 1907.

Fourth: The population of a province shall be ascertained from time to time in the case of the provinces of Manitoba, Saskatchewan and Alberta respectively by the last quinquennial census or statutory estimate of population made under the Acts establishing those provinces, or any other Act of the Parliament of Canada making provision for the purpose, and in the case of any other province by the last decennial census for the time being.

Fifth: All grants shall be payable half-yearly in advance.

Sir Wilfrid Laurier moved at the same time an amendment adding another clause, that nothing therein shall in any way supersede or affect the terms, special to any particular province, upon which such province shall become part of the Dominion, or the right of any province to payment of any special grant heretofore made by the Parliament of Canada.

A further provision was made in respect to the provinces of British Columbia and Prince Edward Island, whereby the amount paid on account of the grant per head on the population should not at any time be less than the amount of the corresponding grant at July 1, 1907, and, if it were found at any decennial census that the population of these provinces had decreased, the amount payable on account of the grant should not be decreased below the amount then payable, notwithstanding the decrease in population.

It should also be noted that the Alberta and Saskatchewan Acts of 1905, providing for the establishment of these provinces, stated that the rate of 80c. per capita paid to the provinces in proportion to population should be estimated on the basis of each quinquennial census, and an approximate estimate of the population should be made at equal intervals of time between each quinquennial and decennial census; so that in the case of these two provinces and of Manitoba, provision is made for the readjustment of their per capita subsidy every two and one-half years.



By chapter 10 of the Statutes of Great Britain, 1907, the Imperial Government brought the terms of this address of the Parliament of Canada into effect as of the 1st July, 1907.

### **Sir Wilfrid Laurier Declares there is no Finality in Subsidy Matters.**

Sir Wilfrid Laurier, in moving the address, (Hansard 1907, pages 5293 and 5395) recited the plan of subsidy enacted at Confederation and the various demands since that time for an increase thereof. He showed that the resolutions of 1887 were not dealt with owing to the death of Sir John A. Macdonald a few years later, the orientation of other public questions, the change of Government in 1896, and the subsequent Boer war. Sir Wilfrid Laurier stated that the provisions made by the British North America Act for contributions to the provinces had proved to be absolutely insufficient and inadequate; that the experience of forty years has brought this fact again and again to the attention of the people and Parliament of Canada. Not once, nor twice, nor thrice, but periodically and systematically, Parliament had been asked at almost regular intervals to vote in favour of now one province and now another, appropriations far in excess of anything that had been stipulated in the British North America Act.

After citing various increases he stated that all these grants had been made by Parliament without any plan, without any guiding principle, but simply as the expediency of the moment suggested or as the financial difficulties of one province or the other were more or less urgent. He appealed to the House to recast the financial terms of Confederation so as to have a uniform rule applicable to all the provinces:

"My honourable friend (George E. Foster) knows as well as I do that there is no other guarantee but the determination of Parliament itself. Under the American constitution no amendment can be made unless it has been voted and ratified by three-fourths of the States. We have no such provision in our constitution; the only guarantee we have is the security of the Imperial Parliament, and it will always be difficult for us to go to England and get an amendment to our constitution. Forty years have now elapsed since our constitutional charter was amended. It is true that we have been doing like the Romans, who, though they had the law of the twelve tables, which could not be altered, still managed to circumvent that law by enacting other laws. We might do the same thing. But the only guarantee we have is this—that my honourable friend representing one party, and myself representing another party, and the members of parliament generally, will agree that this is to be final. Parliament will not defeat its own intentions, and Parliament can always do as it pleases, and the honourable gentleman knows that there is no other finality in all these matters but the will of the people, the will of Parliament itself."

Mr. George E. Foster, opposing the proposal, suggested a subvention or percentage plan giving the provinces a certain percentage of the customs revenue, which he thought would do away with "further raids on the Dominion."

The Finance Minister, Hon. W. S. Fielding, stated that nothing could be done which would prevent a further grant being made by the Dominion to the provinces.

### **Special Increase for Prince Edward Island in 1912.**

At the 1912 session, Parliament, in response to representations from the province of Prince Edward Island, made an increase of \$100,000 in the annual subsidy paid to that

province, by chapter 42 of the Acts of 1912. (For discussions thereon see Hansard, page 5859, vol. 3.) The Minister of Finance, Mr. White, stated that this was an additional subsidy to the province of Prince Edward Island, not appropriated in any particular way but simply a lump sum as an additional grant, and given "after considering the claims so advanced on the part of Prince Edward Island and having regard to its financial condition and its diminishing population and the entire situation."

Sir Wilfrid Laurier stated in relation to this measure:

"The one reason only which has impressed me—and it is not a constitutional reason, it is not a legal reason, it is simply a reason of equity—is the fact that Prince Edward Island has not profited by Confederation. For some years past it has been largely losing its population by reason of its connection with Canada, and going backward instead of forward. Its trade has been diverted from its natural channel—perhaps I should not call it the natural channel, but a channel of trade which had been created—and in the process of many years the trade of the Island has suffered. That is the only basis upon which a reason could be founded by my honourable friend for his action."

Honourable Mr. White, Finance Minister, in replying, said:

"There is one claim which I think Prince Edward Island has put forward very strongly and which I do not believe can be controverted. Prince Edward Island is one of the four provinces of the Confederation that have had no public domain. The others are Alberta, Saskatchewan and Manitoba. These provinces are contained within geometrical lines; they have no public domain. They have had no minerals . . . That province (P.E.I.) was granted at the time of the Union for certain public lands the annual sum of only 50c. per head. Now my right honourable friend (Sir Wilfrid Laurier) in 1905, when he constituted the provinces of Saskatchewan and Alberta, placed those provinces on a basis of \$150 per head in lieu of public lands, and we have recently placed Manitoba on the same basis upon the grounds of equity and justice."

Mr. White further stated:—"In looking over this case of Prince Edward Island I have become enthusiastic about it, and I say that Prince Edward Island, from the date of the Union, has been hardly treated, and I believe that her dwindling population is, to a very large extent, due to the fact that she has been deprived of the subsidies to which she was justly and reasonably entitled from the Dominion since Confederation. I hope to show to the satisfaction of the House that this grant is not only justified, but abundantly justified. I hope that a new era will dawn for the province of Prince Edward Island when it gets this enlarged subsidy."

### **Manitoba Receives Large Grants in Lieu of Lands, 1912.**

At the 1912 session of Parliament an Act was passed providing for the extension of the boundaries of Manitoba to the shores of Hudson Bay, upon certain terms and conditions, and authorizing the Governor-in-Council to pay to the province of Manitoba an annual sum of \$381,584.18, being the equivalent of interest at 5% on \$7,631,683.85. These payments were to date back to July 1st, 1908.

The Government of Manitoba retransferred to the Government of Canada the ownership of its swamp lands, and the Government of Canada was authorized to pay to the province of Manitoba in lieu of ownership an annual sum based upon the population as ascertained by the quinquennial census thereof, such annual sum commencing with \$562,500 and not exceeding \$1,125,000, payable as and from the 1st July, 1908, subject to certain deductions for land already alienated. The Governor-in-Council was further authorized to pay the province \$201,723.57 towards the construction of public buildings.

Exception being taken to this resolution in the debate that ensued, and the claims of the Maritime Provinces being put forward, the Prime Minister, Sir Robert Borden, said:

"Having in regard these considerations, our policy and our proposal is in the first place to put Manitoba upon the same just and fair basis as that which has already been granted to Alberta and Saskatchewan, and then to take up, at the earliest opportunity, the terms upon which the natural resources of all three Prairie Provinces shall be handed over to the administration of these provinces; and I would like to repeat what I have already said in speaking upon the resolutions in that regard—that when we do come to consider that proposal, I think it would be just and necessary to give some consideration to the Maritime Provinces, whose boundaries cannot be enlarged by reason of their natural situation, to call them into our Councils, to give them a just voice as to the terms upon which these lands shall be handed over, and especially with regard to what compensation, if any, should be given to the three maritime provinces by reason of the transfer of these lands to the Governments of Manitoba, Alberta and Saskatchewan."

This enactment and the large subsidies being paid to the Western provinces in lieu of lands, brought a protest from the Maritime Provincial Governments.

### **Maritime Provinces join in Memorial.**

In the speech from the Throne at the session of 1913 reference was made to a conference which had been held between representatives of the Governments of Nova Scotia, New Brunswick and Prince Edward Island on the subject, and the presentation to the Dominion Government of a memorial under date of January 29, 1913, urging the claims of the Maritime Provinces for equitable financial compensation in view of the generous treatment accorded the Prairie Provinces.

### **Further Interprovincial Conferences.**

In December, 1910, a conference was convened at the request of the Premiers of Nova Scotia, New Brunswick and Prince Edward Island, to consider the representation of the Maritime Provinces in the House of Commons of Canada; but after discussion of this matter at some length the conference was adjourned without action.

On the 27th of October, 1913, the Prime Ministers of the Provinces of Canada and members of the Federal Government met at Ottawa to consider the question of representation in the House of Commons and any other subject which the delegates might think fit to submit.

The preamble to the resolution adopted by this conference set forth that the existing financial arrangements between the Government of Canada and the various provinces thereof were inadequate to provide a sufficiency of revenue to enable them effectively to



provide for their expenditure, in consequence of the heavy and steadily increasing sums required to be expended to maintain the efficiency of the services of their respective governments and to promote the moral and material progress of the people. The preamble also set forth that in 1867 the provinces surrendered to Canada their customs and excise duties, amounting then to \$11,580,968.25, and received in lieu thereof the sum of \$2,227,942.21, while in 1913 a total revenue from customs and excise amounted to \$133,212,143.67, of which the provinces only received \$10,281,042.56.

The resolution asked for an additional subsidy equal to ten per cent. of the customs and excise duties collected by Canada from year to year, in addition to all other subsidies now being paid, and reserved the right of any province to submit to the Dominion Government any existing claims or demands.

Out of this additional subsidy it was proposed that there should be paid to each province an amount equal to fifty per cent. of the sum payable for government and legislature. The balance of the additional subsidy was to be distributed according to the population, as ascertained from time to time by the most recent census.

In attendance, by invitation, at the conference, Sir Robert Borden received the resolutions and added that, "speaking for himself, he saw no objection to the provinces coming at stated intervals—say, every ten years—to discuss and conclude any financial arrangements between Canada and the provinces if circumstances warranted it." (Page 115, minutes of Conference Proceedings, 1913.)

Reference was made to this conference in the speech from the throne at the 1914 session of the legislature, a hope being expressed that favorable consideration would be given to the claims of the provinces.

### **Outbreak of War.**

In 1914, the outbreak of the Great War prevented further consideration of the subsidy arrangements and no progress was made in the efforts of the provinces to secure a readjustment.

## GOVERNMENT SUBVENTIONS FOR SPECIFIC PURPOSES.

### Agriculture.

Meantime, by Federal legislation, limited assistance had been given for certain expenditures within provincial jurisdiction by certain aids and subventions for specific purposes.

To aid agriculture, yearly sums based on population were distributed to the provinces under cooperative agreements. Under the Agricultural Instruction Act (Canada, 1912) \$1,000,000 was subdivided annually among the provinces according to population, the province of Nova Scotia receiving yearly from 1913 to 1923 the sum of \$81,719.21. The provincial outlay on agriculture was correspondingly increased in reliance on the assurance of those representing the Federal Government that the subsidies would be continued at the end of the ten-year period. These subsidies were, however, discontinued in 1923.

The Government of Nova Scotia had in 1912 and 1913 been strongly urged by Federal officials to enlarge the college premises at Truro on such a scale as would render possible the establishment of a Maritime Agricultural College at that centre. The assurance given to the Premier of Nova Scotia was, that once established, grants would be continued indefinitely, the fear having been expressed that owing to the capital expenditure involved it would mean continued liability for extra maintenance cost, due to the erection of buildings of a more pretentious character than would have been built under purely provincial administration. On all these occasions Commissioner James, speaking for the Federal Government, assured Premier Murray that there was no doubt that the agricultural instruction grant, once established, would be continued indefinitely, and that no fear need be entertained on that score.

Mr. Burrell, the Federal Minister of Agriculture, who introduced the Agricultural Instruction Act in the House of Commons in 1913, (Hansard p. 2147 et seq.) stated that there would be Dominion supervision over the expenditures and full inspection of the work accomplished. Mr. Burrell (at page 1117, Hansard) emphasized the permanent character of the policy adopted, and stated that the total vote of \$10,000,000 included in one enactment would inspire confidence in all the provincial governments as to the continuity of this policy and enable them to shape their plans accordingly. The total Dominion aid to agriculture paid to Nova Scotia under this Act to the present date is \$884,766.50.

In the meantime the Maritime Agricultural College idea has failed to materialize. On the other hand, the Nova Scotia Department of Agriculture is maintaining a more extensive plant than would have been provided had it not been for the assurances given by the Dominion Commissioner of Agriculture. The cost of the College of Agriculture has been so increased by various extensions as to make an annual addition to the provincial budget for this purpose of sums varying from \$8,000 to \$10,000, which otherwise would have been unnecessary.

### Technical Education.

A similar policy of giving subventions to special provincial services was adopted with respect to technical education.

Nova Scotia was the pioneer in Canada in establishing a system of secondary technical education. It took this forward step simultaneously with Massachusetts, which was the first of the United States to extend its educational work into this field. The Legislature of Nova Scotia passed a bill on April 25, 1907, called the "Act Relating to Technical Education," which provided for a Technical College in the city of Halifax and local technical schools in all the industrial centres in the province. These projects were immediately carried forward and have been continuously enlarged and strengthened in an attempt to meet the needs of industrial workers in preparation for their daily vocations. At the present time there are maintained technical schools in twenty-seven different towns and cities, and the student enrolment in all the technical classes of secondary grade last year was approximately 3400 pupils.

These schools are supported from provincial and municipal funds, but the major outlay is provided from provincial revenue. Constant appeals were made to the Dominion Government for financial assistance in carrying on this work, because it was clearly evident that technical instruction for all the people was quite as much a concern of industry and commerce as of mere education. A Royal Commission was appointed by the Dominion Government on June 1, 1910, and in its report recommended unequivocally that federal aid should be given to the provinces for technical education. It proposed an elaborate policy of cooperation between the Dominion Government and the provinces and recommended the provision of a grant of \$3,000,000 annually for a period of ten years by the federal authorities. The war intervened and while it lasted postponed action.

Shortly after the armistice, the Federal Parliament took this matter into serious consideration again, and on July 7, 1919, after due deliberation, passed "An Act for the Promotion of Technical Education in Canada." The interest and duty of the Dominion in this phase of education are implied in section 2, subsection (c) in the statement as set forth in the definition of technical education. It is there interpreted as "any form of vocational, technical or industrial education or instruction . . . . approved as being necessary or desirable to aid in promoting industry and the mechanical trades and to increase the earning capacity, efficiency and productive power of those employed therein." This Act provided for a fund of ten million dollars to be distributed amongst the provinces over a ten-year period.

In section 5, subsection 2, however, it was provided that—

"In determining the grant payable to any province annually, no account shall be taken of any liability or expenditure incurred by the province for the acquiring of land, the erection or improvement of any buildings, or the supplying of furnishings or equipment of any educational institution established in the province prior to the first day of April, one thousand nine hundred and nineteen."

Herein lies the injustice done to Nova Scotia, which had led the way for the rest of the Dominion. This province had struggled to the best of its ability to develop technical education and to supply it in as full a measure as possible to train its industrial population. The Dominion aid was a great blessing, but Nova Scotia was penalized for her initiative and leadership. It is true that Ontario and Quebec had followed several years afterward, and that now they have more adequate systems of technical education than has Nova



Scotia, but the Western provinces and New Brunswick have developed this branch of education for the most part since the Dominion aid became available in 1919. If some allowance had been made in the federal legislation for expenditures made prior to the time it came into force, Nova Scotia might have felt that she was being treated more on a basis of equality. If there had been some consideration of the heavy expenditure for technical education over the period of years prior to 1919, and some financial compensation therefor, Nova Scotia could have used this to expand her system of training to meet the pressing needs of the working people in this respect. As matters are today, this province is not able to provide enough revenue to even absorb all the Dominion aid that would be forthcoming under the Act of 1919, because the distribution is made on the even basis of one dollar from the federal treasury for every dollar spent by the province. In 1925 we expended out of revenue on this service \$142,107, which, with interest on capital expenditures made by the province of \$14,520, made a total payment out of the provincial revenue of \$156,627 in that year. To meet this expenditure there has been received from the Federal Department of Labor a revenue of \$34,978, making a net expenditure by the province of \$121,649.

Out of ordinary revenue the province has expended since 1912 on technical education \$1,154, 241, which with interest on capital expenditure will total over \$1,300,000. In the last six years provincial expenditure with interest was over \$780,000, the Dominion contribution being in the same period \$202,977.

In the development of its system of technical education, Nova Scotia expended between 1907 and 1919 the sum of \$377,202.67 for buildings, equipment, apparatus and furnishings for secondary technical education, the branch of this instruction specifically aided by the Dominion under the act of Parliament of 1919. One third of this amount, namely \$129,518.53 should have been paid Nova Scotia, and this with interest calculated as in other claims satisfied by Parliament, amounts now to \$201,991.02. Had there been some consideration in this legislation for those few provinces which had taken the lead in developing this new field in education, Nova Scotia would probably have been able to put into effect the extensions which have become necessary since the war. As matters stand at present, her revenue is not sufficient to provide all the necessary and desirable services in industrial training, and she has to allow unclaimed balances to lapse during each fiscal year because she cannot increase the expenditure to such an extent as to claim her share of the federal fund that is apportioned annually on the basis of population. Other provinces which did not develop their programmes of technical education, until about the time the federal aid became available have been placed in a much more favorable position.

It is therefore clear that Nova Scotia has been inadequately compensated for its pioneer work in technical education and indeed has been unjustly penalized for its initiative and leadership.

### **Health and other Services.**

The Dominion Department of Public Health was established at Ottawa in 1919. But as practically all the provinces had health departments, necessarily the detailed work was carried on by them. A grant to assist in combating venereal diseases was in 1920 made to the provinces on the basis of population; the annual share which Nova Scotia receives is approximately \$10,500, and the contributions from the Dominion Government to Nova Scotia since the inauguration of the system have totalled \$55,811—the total ordinary provincial health expenditures during the same period being \$145,590.

Likewise since the war with its period of unemployment the importance of coordinating the work of the labor bureaus of the provinces so impressed itself upon the Dominion Government as to call for cooperative effort, and Dominion contributions to the bureaus established in the several provinces have since then been made. The annual amount received by Nova Scotia is reduced to less than \$3,000. The total received since the institution of the system in 1922 from the Dominion Department of Labor was \$32,280 and the total expenditure, inclusive of Dominion aid, was \$54,846.

In 1912 an Act was passed to encourage and assist the construction of trunk lines of highways through the provinces by grants for the building of important lines under contracts between the Dominion and the provinces on the basis of 60% of cost being met by the provinces and 40% being supplied by federal grant.

The total amount contributed by the Dominion Government as representing 40% of approved construction costs in Nova Scotia was \$1,468,720.

### **Conference of Dominion and Provincial Governments, 1918.**

A further conference was held in March, 1918, between members of the Dominion Government and the prime ministers and members of the provincial governments, all the provinces being represented. (Sessional Papers No. 55, Vol. LIII, 1918.)

The matters dealt with related to the continuance of the war and proposals for co-ordinating efforts between the various governments. The question of the transfer of natural resources to the western provinces had been proposed for discussion at the conference without notice to the eastern provinces. The matter was therefore deferred. The provincial representatives recognized that at such a time as this, war conditions prevailing, it would not be wise to press the Dominion government for immediate action on the several claims and expectations with respect to increased subsidies, and suggested that within one year after the declaration of peace the whole question of the readjustment of provincial allowances should be taken into consideration. The attitude of the Maritime Provinces in respect to the subject of western lands is referred to elsewhere.

### **Resolutions in the Provincial Legislature, 1920-1926, Western Lands.**

There being no satisfactory outcome to the conferences in respect to either western lands or increased subsidies, the question again became a matter for resolution and consideration in the Legislature. On the 14th of April, 1920, Hon. J. C. Tory moved a resolution for a conference of representatives of the Maritime Provinces in order that a plan might be formulated for joint action to press for settlement of the just claims of these provinces against the Federal Government in respect to—

- (a) compensation as equivalent for lands reserved for school purposes in the western provinces;
- (b) compensation as equivalent for cash subsidies paid to the western provinces purporting to be in lieu of lands;
- (c) compensation as equivalent for lands granted to the provinces of Ontario and Quebec;
- (d) compensation for the nonfulfilment of certain obligations respecting the Maritime Provinces clearly set forth or implied under the terms of the British North America Act.

### **Freight Rates.**

On the 27th of May, 1921, a resolution of the House of Assembly was passed dealing particularly with freight rates, and declaring that adherence to the spirit of Confederation required that such change in the administration of the intercolonial railway be made at once as would remove the conditions disadvantageous to the Maritime Provinces. (Journals House of Assembly, 1921, p. 357.)

A consideration of the freight rate inquiry is dealt with under a separate heading.



### **The Corning Resolution.**

On the 20th April, 1923, Mr. H. W. Corning presented a resolution in the House of Assembly stating that the spirit of the Confederation pact with respect to the intercolonial railway, then a part of the C. N. R. system, had been violated, and that Nova Scotia as a province of Canada was not receiving fair and equitable treatment with respect to freight rates, railways, shipping, etc. After setting forth the handicaps under which the province of Nova Scotia was alleged to be placed under Confederation—handicapped by high freight rates, markets invaded with surplus products of other provinces, heavy protective duties for the advantage of the manufacturing and farming communities of Ontario and Quebec, indifference of Central and Western Canada to the development and use of Canadian Atlantic ports, intolerable burden of taxation—the resolution affirmed that a vote of the electors of Nova Scotia should be taken by way of referendum for the purpose of ascertaining whether the people of this province favored its withdrawal from Confederation and the reconstitution of Nova Scotia as an independent self-governing British Dominion. This resolution was defeated four to fourteen (p. 262, Journals of House of Assembly, 1923), and another resolution substituted, moved by Hon. E. H. Armstrong, outlining the policy of the government in respect to the development and expansion of trade in the interests of the Maritime Provinces.

### **The Armstrong Resolution.**

On the 29th of April, 1925, Premier Armstrong moved a resolution in the House of Assembly (Journals, 1925, page 227 et seq.) setting forth the position of the province in the union, citing the express advice of the Imperial Government in 1868 and 1869 to the Government and Parliament of Canada, and demanding remedial measures and the redress of financial and economic wrongs and disabilities. The resolution concluded by declaring that the regulation and control of taxation, trade and the fisheries of this province should be relaxed and modified by the Government and Parliament of Canada, in such a manner that the interests of Nova Scotia might be prejudiced no longer in such matters, and that business and industry might be encouraged and stimulated within the province. The Governor-in-Council was further authorized to prepare a statement of particulars in which the interests of Nova Scotia had been prejudiced by the economic system of Canada and to make application to the Government and Parliament of Canada for appropriate redress and equitable remedies.

A commission to inquire into these grievances was appointed in June, 1925, but did not function.

### **Resolution of Legislature, 1926.**

At the session of the Nova Scotia Legislature convened on the 9th day of February, 1926, the address from the throne declared that in order to secure for the province all the benefits that should accrue from Confederation a resolution would be introduced directing the attention of the Dominion Government to certain measures necessary to ensure the future prosperity of the province.

The following resolution was, after discussion, passed on the 12th day of March, 1926:

“WHEREAS Nova Scotia in entering Confederation made possible the unification and consolidation of a British dominion on this continent;

AND WHEREAS at that time certain pledges were given that such measures would be undertaken and such policies pursued as would ensure for the future a satisfactory economic position for this province;

AND WHEREAS the pledges given have been disregarded, as a result of which Nova Scotia has not shared in equal measure the prosperity enjoyed by the Dominion as a whole;

AND WHEREAS the Government is now engaged in preparing a memorandum setting forth in detail the claims of the province with the object in view of seeking such adequate redress as will ensure a return of contentment and prosperity to our people;

THEREFORE BE IT RESOLVED that this House approves of the action now being taken by the Government;

AND BE IT FURTHER RESOLVED that such memorandum be presented by the Government to the Federal Government, with the assurance that the people of this province believe that adequate remedies exist and must be applied.

#### **Conference Urges Relief of Smaller Provinces.**

At a conference on taxation between representatives of the Dominion and of the provinces, the provinces being represented either by their premiers or provincial treasurers, a resolution was adopted on the 12th of November, 1924, requesting a conference of Premiers and Governments, and suggesting as one of the subjects for discussion, "Adjustment of federal subsidies to provinces with a view to having provincial subsidies bear a reasonable ratio to provincial expenditure."

A conference of representatives of the governments of the provinces, including the premiers thereof, was held at Ottawa on the 7th of June, 1926, all the provinces excepting Alberta being represented. After considerable discussion and an expression of opinion given by representatives of the provinces, the following resolution, designed to consider sympathetically the financial arrangements in respect to the smaller provinces, and particularly the three Maritime Provinces, was unanimously passed:

"That this conference expresses its sympathy with those provinces which, by reason of conditions peculiar to them, have not progressed as anticipated, and urges upon the Federal Government that it should favorably consider affording relief to each of such provinces in a form that will ameliorate these conditions."

## **PURPOSES OF CONFEDERATION SUMMARIZED.**

### **1. From the Point of View of Canada.**

And now to summarize this historical sketch. It will be clear from what has been set forth that the province of Canada entered Confederation with certain specific considerations in view, chief of which were:

1. To escape from a condition of political stalemate;
2. To provide more adequate means of defence;
3. To obtain the element of maritime commerce,
4. To secure communication with the Atlantic seaboard by the building of the intercolonial railway;
5. To ensure the absorption by a federated Dominion of the North-West Territories and ultimately to establish transcontinental communication with the Pacific Ocean;
6. To discount the impending abrogation of the Reciprocity Treaty by opening up the Maritime Provinces as a market for Canadian products;
7. To establish alternative ports of entry, should the bonding privilege be terminated by the United States;
8. And generally to enjoy the enhanced national position which such a federation would confer upon its members.

All these purposes have been fully realized. The old province of Canada, now Ontario and Quebec, has long since escaped from its desolating racial antagonisms. In communication, East and West, with both seaboard, it has in great measure absorbed the internal commerce of the older provinces and has enjoyed by far the larger share of the benefits from the exploitation of the West. Still participating in the bonding privilege, the central provinces have failed to appreciate the national value of the Atlantic seaports, with the consequence that their interests, so far as industry and commerce are concerned, have never been really identified with those of the other partners to the federation compact.

### **2. From the Point of View of the Maritime Provinces.**

On the other hand, the Maritime Provinces were induced to enter Confederation on the strength of two main representations:

1. That an intercolonial railway should be built;
2. That in general, and specifically as a result of the building of that railway, these provinces were to share in the internal commerce which the creation of the Dominion was intended to promote.

### **Promises to Maritime Provinces not fulfilled.**

The first promise, it is true, was fulfilled, but the second, which was to be corollary to it, has almost completely failed. Instead of finding markets in old Canada and the new West, the Maritime Provinces have lost in large measure the commerce they had at the time of Confederation. Shipping has declined, manufactures have withered away in face of the



large-scale production of the upper provinces, the financial institutions of the Maritimes have betaken themselves to the larger centres, and the more enterprising part of the population has been steadily migrating to the United States and Western Canada. The immigration into Canada passes by their doors on its way to the West, while the long traffic haul and prohibitive freight rates prevent their natural products from reaching markets where otherwise they would be absorbed. It is not here asserted that these effects have been brought about designedly on the part of the central provinces. They have, on the contrary, resulted from the operation of well-known economic laws, but such laws have operated in a much more thorough going fashion because of the artificial bonds created by Confederation. The point to establish is this: that grievances artificially created should find remedies deliberately devised for the purpose. The Maritime Provinces have lost their natural markets because of the tariffs and freight rates imposed upon them from the national point of view, but they have not shared in the markets created by such tariffs, and thus, for them, it has been in large measure all loss and no benefit—the dust without the palm.

#### **Mutual Benefits not Realized.**

There has been no technical violation of the Confederation pact. And yet its spirit, somehow, has ceased to quicken the Dominion as a whole. The “mutual benefit and prosperity of all the provinces,” which Cartier set forth as its essential motive, has failed of mutuality. While the Canadian statesmen spoke in all sincerity when they envisaged a wider sphere of commercial activity for the Maritime Provinces, modern industrial development, the large-scale agriculture of the West, and the hard facts of geographical position have conspired to render their promises illusory. In international relations, agreements are usually made *rebus sic stantibus*. When essential conditions, for which and on account of which, a compact was originally contemplated, have been completely modified, the agreement is usually considered open to revision. No contracting party is understood by implication to assume obligations detrimental to its national existence.

#### **Equitable Remedies should be Devised.**

In much the same way it may be argued regarding Confederation. The Maritime Provinces entered it relying upon the realization of certain conditions which at that time might reasonably have been expected to arise. Sixty years ago it was thought that the fish, coal and lumber of the East would in the natural course of trade flow to the West. But the trend of commerce has been otherwise and this condition has not been realized. It was not stipulated, nor was it understood, that all partners to the federation pact must, willy nilly, endure its hardships without its compensations. It is just here that equity should step in to correct the balance which the strict letter of the Confederation pact has gravely disturbed. Tariffs, freight rates, land grants, provincial subsidies, and all the apparatus of federal government must normally be applied on a uniform basis according to certain accepted legal rules. But the application may be stern and rigid, or may fail to provide adequate redress where it works a hardship. In such case equitable remedies should be devised. It should not prove beyond the resources of statesmanship so to distribute the benefits of Canadian federation that all the partners may have a just share. To express it in economic terms, the problem of Canadian prosperity is one of distribution, not production. There is enough to go around if certain adjustments and compromises are made.

#### **Deliberate Adjustment of Adverse Conditions should be Made.**

In other words, the element of will must be applied. Nations, like individuals, may grapple with their evil star. Time and again a people has refused to be controlled by adverse conditions and has deliberately resolved to bid defiance to the fatalism of economic law. And just because economics is not an exact science but admits of the personal element as

expressed in tradition, sentiment and national aspiration, it is possible to break down barriers imposed by nature and to realize a unity based on the national will. By way of conclusion to this historical summary of Confederation reference may be made to other federal movements for instances of this deliberate adjustment of conditions for the general good.

### United States After the Revolution.

For example, the United States after the Revolution found itself possessed of vast territories west of the Alleghanies, the natural commercial outlet for which was New Orleans. But that port at the time was Spanish and occupied relatively the same position with respect to the United States as Portland today to the Dominion of Canada. If this natural route was allowed to be used by the settlers without challenge, the Western country might be lost to the Union. Accordingly—

“In the early spring of 1785 a modest but memorable meeting took place at Washington’s country seat of Mount Vernon, between representatives from the States of Maryland and Virginia. The occasion was a conference in regard to water ways between the eastern settlements and the western unpeopled land lying in the valley of the Ohio and to the north-west. . . .

“Development of the western country was one of the great dreams of Washington’s life. . . . This rich inheritance it was his fixed determination to weld into the Confederacy. . . .

“Even the peculiar advantages of this territory appeared to Washington to contain some not inconsiderable dangers. The splendid waterways of the Mississippi and its tributary streams were not an unmixed advantage, seeing that the mouth and the lower reaches were in the hands of Spain, who also extended a shadowy claim to the whole western bank and to the unknown region beyond. The easiest course for the new settlers was to drift their produce down the broad current to New Orleans, and the dread of Washington was lest this tendency might induce ‘a habit of trade’ with a foreign power—an intimacy and a mutual interest which in the end might lead to a detachment from the Union. Consequently, at a time when the chief matter of political anxiety with regard to the Western lands was the menace of Spain against the free navigation of the Mississippi, he was more concerned to develop the natural trade routes from east to west by clearing the waterways of the James, the Potomac, and the Ohio, and by the construction of a system of supplementary canals.” (Oliver, *Alexander Hamilton*, p. 138. Cited in *The Selborne Memorandum*, pp. 87-88).

*The Selborne Memorandum*, in an effort to apply the same spirit to the situation in South Africa before Union, thus comments on this instance of Washington’s statesmanship:

“Rather than use American trade to develop a Spanish port on his frontier this man was prepared to change the course of nature itself and to convey the traffic of the Mississippi by canals to the sea through American ports at the mouth of the Potomac. Such sacrifice he thought that it became America to make for the sake of her future safety and union. More remarkable still is the fact that this project led to the union of the States under one National Government, which was able to overcome the difficulty without cutting the canals. Such is the imagination, the force of will and the capacity for sacrifice needed to make a nation.”

### Equitable Adjustment of Railway Situation in South Africa.

More directly to the point is South Africa itself. One of the impelling causes of union in that Dominion was the railway situation. For years the interests of the Transvaal were

opposed to those of the other colonies. While they sought a fair share of through traffic from their seaports to the Boer Republic, the route dictated to the Transvaal by nature was through Delagoa Bay, in Portuguese East Africa. A glance at the map will show that the rail haul from Lorenzo Marquez to the Transvaal border was comparatively short when compared with the haul from Durban, East London and Cape Town. Both before and after the Boer war, this railway situation had more than once brought the South African colonies to the brink of civil conflict. It appeared insoluble, especially when complicated by racial antipathy and the memories of a stubborn war. The building of new lines also was affected by this rivalry and the close identity of the government with the ownership of the railways tended further to complicate matters. The whole railway question was probably the most difficult to come before the conference on South African Union, but it was met in a spirit of accommodation and several articles dealing with the subject were written into the Constitution, as follows:

"127. The railways, ports, and harbors of the Union shall be administered on "business principles, due regard being had to agricultural and industrial develop- "ment within the Union and promotion, by means of cheap transport, of the settle- "ment of an agricultural and industrial population in the inland portions of all prov- "inces of the Union . . . .

"128. Notwithstanding anything to the contrary in the last preceding section "the Board may establish a fund out of railway and harbor revenue to be used for "maintaining, as far as may be, uniformity of rates notwithstanding fluctuations in "traffic.

"130. Every proposal for the construction of any port or harbour works or of "any line of railway, before being submitted to Parliament, shall be considered by "the Board, which shall report thereon, and shall advise whether the proposed works "or line of railway should or should not be constructed. If any such work or line "shall be constructed contrary to the advice of the Board, and if the Board is of "opinion that the revenue derived from the operation of such works or line will be "insufficient to meet the costs of working and maintenance, and of interest on the "capital invested therein, it shall frame an estimate of the annual loss which, in its "opinion, will result from such operation. Such estimate shall be examined by the "Controller and Auditor-General, and when approved by him the amount thereof "shall be paid over annually from the Consolidated Revenue Fund to the Railway and "Harbour Fund; Provided that, if in any year the actual loss incurred, as calculated "by the Board and certified by the Controller and Auditor-General, is less than "the estimate framed by the Board, the amount paid over in respect of that year "shall be reduced accordingly so as not to exceed the actual loss incurred. In cal- "culating the loss arising from the operation of any such work or line, the Board shall "have regard to the value of any contributions of traffic to other parts of the system "which may be due to the operation of such work or line."

"131. If the Board shall be required by the Governor-General in Council or "under any Act of Parliament or resolution of both Houses of Parliament to provide "any services or facilities, either gratuitously or at a rate of charge which is insuffi- "cient to meet the costs involved in the provision of such services or facilities, the "Board shall at the end of each financial year present to Parliament an account ap- "proved by the Controller and Auditor-General, showing, as nearly as can be ascer- "tained, the amount of the loss incurred by reason of the provision of such services "and facilities, and such amount shall be paid out of the Consolidated Revenue Fund "to the Railway and Harbour Fund."



Without going into technical details, it will be seen that the South African Constitution contemplates the distribution of the benefits of railway construction and operation for the general good of the Union, even where the railway in particular localities may be maintained at a financial loss. With respect to the competition from Delagoa Bay, Article 148 stipulates that the provisions of the railway agreement of 1909 between the Governments of the Transvaal, the Cape of Good Hope and Natal shall be given effect by the Government of the Union. Under this agreement 30% of the Rand traffic was assigned to Durban and 20% to Cape Ports. (Brand, *The Union of South Africa*, p. 94.) Thus the statesmen of South Africa have undertaken to control, in the interests of the partners to the Union, the natural operation of economic law.

### **Railways and Finance in Australian Constitution.**

Two articles in the constitution of the Commonwealth of Australia likewise reveal this larger point of view of legislating for the general interest:

Article 96 provides for financial assistance to the States if deemed necessary:

"During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit."

And Article 104 permits differential rates on State railways if deemed of public benefit:

"Nothing in this Constitution shall render unlawful any rate for the carriage of goods upon a railway, the property of a State, if the rate is deemed by the Interstate Commission to be necessary for the development of the territory of the State, and if the rate applies equally to goods within the State and to goods passing into the state from other States."

### **Solution of Difficulties not impossible.**

Thus it would seem that governments need not remain passive in the face of economic difficulties. While Confederation has worked out in some respects to the disadvantage of the Maritime Provinces, the situation is not irremediable. A frank recognition of special grievances arising in the past from definite economic causes, coupled with the unequivocal determination to devise equitable remedies, should in the long run find an adequate solution. A condition precedent to a prosperous Dominion is the separate prosperity of its component parts.

## GRANTS TO PROVINCES.

### B. N. A. Act, 1867.

The following are the clauses of the British North America Act, 1867, and its amendments governing the payment of subsidies to the several provinces. The grants and allowances thus set forth, are distinctly stated by resolution No. 62, adopted by the Conference of Delegates from the provinces held at the Westminster Palace Hotel, London, to be paid "in consideration of the transfer to the General Parliament of the powers of taxation:"

"118. The following sums shall be paid yearly by Canada to the several provinces for the support of their Governments and Legislatures:

|                     | Dollars          |
|---------------------|------------------|
| "Ontario.....       | Eighty Thousand  |
| "Quebec.....        | Seventy Thousand |
| "Nova Scotia.....   | Sixty Thousand   |
| "New Brunswick..... | Fifty Thousand   |

---

Two hundred and sixty thousand;

"and an annual grant in aid of each province shall be made, equal to eighty cents per head of the population as ascertained by the census of one thousand eight hundred and sixty-one, and in the case of Nova Scotia and New Brunswick, by each subsequent decennial census until the population of each of these two provinces amounts to four hundred thousand souls, at which rate such grant shall thereafter remain. Such grants shall be in full settlement of all future demands on Canada, and shall be paid half-yearly in advance to each province; but the Government of Canada shall deduct from such grants, as against any province, all sums chargeable as interest on the public debt of that province in excess of the several amounts stipulated in this act.

"119. New Brunswick shall receive, by half-yearly payments in advance from Canada, for the period of ten years from the Union, an additional allowance of sixty-three thousand dollars per annum; but as long as the public debt of that province remains under seven million dollars, a deduction equal to the interest at five per centum per annum on such deficiency shall be made from that allowance of sixty-three thousand dollars."

### Alberta and Saskatchewan Acts.

The Act creating the province of Alberta, which was assented to in 1905, contained the following subsidy provisions, a like provision being made in respect to the province of Saskatchewan:

“18. The following amounts shall be allowed as an annual subsidy to the province of Alberta and shall be paid by the Government of Canada, by half-yearly instalments in advance, to the said province, that is to say:

“(a) for the support of the Government and Legislature, fifty thousand dollars;

“(b) on an estimated population of two hundred and fifty thousand at eighty cents per head, two hundred thousand dollars, subject to be increased as hereinafter mentioned, that is to say: a census of the said province shall be taken in every fifth year, reckoning from the general census of one thousand nine hundred and one, and an approximate estimate of the population shall be made at equal intervals of time between each quinquennial and decennial census; and whenever the population by any such census or estimate exceeds two hundred and fifty thousand, which shall be the minimum on which the said allowance shall be calculated, the amount of the said allowance shall be increased accordingly, and so on until the population has reached eight hundred thousand souls;

“19. Inasmuch as the said province is not in debt, it shall be entitled to be paid and to receive from the Government of Canada by half-yearly payments in advance an annual sum of four hundred and five thousand three hundred and seventy-five dollars, being the equivalent of interest at the rate of five per cent per annum on the sum of eight million one hundred and seven thousand five hundred dollars;

“20. Inasmuch as the said province will not have the public land as a source of revenue, there shall be paid by Canada to the province by half-yearly payments in advance an annual sum based upon the population of the province as from time to time ascertained by the quinquennial census thereof, as follows:

“The population of the said province being assumed to be at present two hundred and fifty thousand, the sum payable until such population reaches four hundred thousand shall be three hundred and seventy-five thousand dollars;

“Thereafter until such population reaches eight hundred thousand, the sum payable shall be five hundred and sixty-two thousand five hundred dollars;

“Thereafter until such population reaches one million two hundred thousand the sum payable shall be seven hundred and fifty thousand dollars.

“And thereafter the sum payable shall be one million one hundred and twenty-five thousand dollars.

“2. As an additional allowance in lieu of public lands, there shall be paid by Canada to the province annually by half-yearly payments in advance, for five years from the time this Act comes into force, to provide for the construction of necessary public buildings, the sum of ninety-three thousand seven hundred and fifty dollars.”

#### **The B. N. A. Act, 1907.**

“1. The following grants shall be made yearly by Canada to every province which at the commencement of this Act is a province of the Dominion, for its local purposes and the support of its Government and Legislature:



“(a) A fixed grant—

“Where the population of the province is under one hundred and fifty thousand,  
“of one hundred thousand dollars;

“Where the population of the province is one hundred and fifty thousand  
“but does not exceed two hundred thousand, of one hundred and fifty thousand  
“dollars;

“Where the population of the province is two hundred thousand, but does  
“not exceed four hundred thousand, of one hundred and eighty thousand dollars;

“Where the population of the province is four hundred thousand, but does  
“not exceed eight hundred thousand, of one hundred and ninety thousand dollars;

“Where the population of the province is eight hundred thousand, but does  
“not exceed one million five hundred thousand, of two hundred and twenty thousand  
“and dollars;

“Where the population of the province exceeds one million five hundred thousand,  
“and, of two hundred and forty thousand dollars; and

“(b) Subject to the special provisions of this Act as to the provinces of British  
“Columbia and Prince Edward Island, a grant at the rate of eighty cents per head  
“of the population of the province up to the number of two million five hundred  
“thousand, and at the rate of sixty cents per head of so much of the population  
“as exceeds that number.

“(2.) An additional grant of one hundred thousand dollars shall be made yearly  
“to the province of British Columbia for a period of ten years from the commencement  
“of this Act.

“(3.) The population of a province shall be ascertained from time to time  
“in the case of the provinces of Manitoba, Saskatchewan and Alberta respectively  
“by the last quinquennial census of statutory estimate of population made under  
“the Acts establishing those provinces or any other Act of the Parliament of Canada  
“making provision for the purpose, and in the case of any other province by the  
“last decennial census for the time being.

“(4.) The grants payable under this Act shall be paid half-yearly in advance  
“to each province.

“(5.) The grants payable under this Act shall be substituted for the grants  
“or subsidies (in this Act referred to as existing grants) payable for the like purposes  
“at the commencement of this Act to the several provinces of the Dominion  
“under the provisions of section one hundred and eighteen of the British North  
“America Act, 1867, or of any Order in Council establishing a province, or of any  
“Act of the Parliament of Canada containing directions for the payment of any  
“such grant or subsidy, and those provisions shall cease to have effect.

“(6.) The Government of Canada shall have the same power of deducting sums  
“charged against a province on account of the interest on public debt in the case  
“of the grant payable under this Act to the province as they have in the case of  
“the existing grant.”

“(7.) Nothing in this Act shall affect the obligation of the Government of Canada to pay to any province any grant which is payable to that province, other than the existing grant for which the grant under this Act is substituted.”

“(8.) In the case of the provinces of British Columbia and Prince Edward Island, the amount paid on account of the grant payable per head of the population to the provinces under this Act shall not at any time be less than the amount of the corresponding grant payable at the commencement of this Act; and if it is found on any decennial census that the population of the province has decreased since the last decennial census, the amount paid on account of the grant shall not be decreased below the amount then payable, notwithstanding the decrease of the population.

“2. This Act may be cited as the British North America Act, 1907, and shall take effect as and from the first day of July, nineteen hundred and seven.”

## GOVERNMENT BUILDINGS — WEST AND EAST.

Allowances were made to the provinces of Saskatchewan and Alberta, for the construction of necessary public buildings, sums totalling in each province \$468,750. In 1898, when a more generous policy in respect to Manitoba was adopted, that province was given \$267,026.43 to be credited on its debt allowance and on which interest thereafter would be paid to the province. This amount represented the construction costs of Government buildings. Furthermore, arrears of interest thereon, computed by compound interest, were paid totalling \$231,575.47; (61 Vic., ch. 4, s. 2, 1898). In 1912 Manitoba received an additional amount of \$201,723.57 bringing the total for public buildings up to \$468,750.

No allowances were made at any time for the construction of public buildings in Nova Scotia, and this province has expended since Confederation in necessary building extensions for the carrying on of its Government service, the sum of \$350,000.

It will be interesting to observe, however, what did occur in connection with the new Province Building of Nova Scotia under construction and not completed at the time of Confederation. At July 1st, 1867, \$122,695 had been expended thereon. The province completed the building in 1868, being obliged to so do by contract. Early in 1869 the Dominion demanded delivery of the building to the Public Works Department, as part of the assets to be handed over under the British North America Act. The province refused, pending a settlement of the question of Confederation and on the ground that the building, being under construction, was not a public work in the meaning of that Act.

In 1870 a suggestion was made for settling by arbitration the amount due the province for cost subsequent to the Union. This was refused by the Dominion. Failing to get delivery of the building the Dominion Government debited the subsidy account of the province with \$30,000 as interest.

By section 3, chapter 2, 1869, (Canada) it had been enacted that from the date of the completion of the new Province Building, Nova Scotia should be debited in account with Canada with interest at the rate of five per cent. per annum on the cost.

Finally, in 1871, arbitration was agreed upon and a resolution passed the Dominion House of Commons that the sum of \$66,685, or such sum as might be determined by arbitration, was due Nova Scotia when the new building was made available for a post office, etc. The arbitrators were instructed to take into consideration all money claims whatsoever relative to the building. The decision was based on joint ownership and occupation, as it was clearly shown that a portion of the building was at the time construction was started intended for departments of the local government and for a museum, and made an allowance accordingly for that section as though it were separate and distinct from the portion occupied by the Dominion Government. (The building was subsequently jointly occupied as a post office and provincial museum). The arbitrators therefore adjudged that the Dominion should pay the province the sum of \$70,000 as the value of such portion of the building occupied by the Dominion and the sum of \$10,000 for interest thereon to date and in full of all demands of the Nova Scotia Government. It was hard bargaining for the province and the award was secured from unwilling federal authorities.

In 1890, and prior thereto, the Dominion was pressing the Provincial Government for more space in the post office building, and the citizens of Halifax were urging upon the Government the erection of a building to accommodate the museum and art school. The Provincial Government, therefore, voted a capital account estimate of \$30,000 for a new building and planned to remove the museum to it. The estimate reads as follows:

"New public building at Halifax for provincial museum or other purposes, on condition that the Dominion Government grant not less than \$10,000 in lieu of present museum room." (Journals, 1890, Appendix No. 2.)



Negotiations were carried on, with this end in view, but the Dominion refused to grant \$10,000 to Nova Scotia to aid in the erection of the new building, though the province was arranging to house elsewhere its museum, then occupying a part of what the Dominion claimed as its own property. The province had not been paying rental for the joint occupancy, which had continued from 1872 up to that time. The government was compelled eventually to ignore the provisional grant passed in 1890 and to vote a new grant of \$50,000 for this building. Finally, the Burns and Murray building was purchased, and the joint occupancy by the two Governments for post office and museum continued until 1899, when the museum was removed to that building.

### EASTERN RAILWAY EXTENSION CLAIMS

At the Quebec Conference in 1864, the Government of Canada gave an assurance that it regarded the construction of the Intercolonial Railway as a necessary accompaniment and condition of Confederation. If differences of opinion had arisen in respect to the construction of the Intercolonial before Confederation was determined upon, certainly after union the railway, through the period of construction and early operation, furnished many causes for differences of opinion between the Dominion and the Maritime Provinces.

So far as Nova Scotia was concerned no construction was necessary. The road had been built by Nova Scotia to the border of New Brunswick and after union became part of the assets held by the Dominion of Canada. This included also the line from Truro to New Glasgow.

The necessity for linking widely scattered sections of the province compelled the Provincial Government to plan for the extension of this road from New Glasgow to the Strait of Canso and also for the construction of a line through Cape Breton to Louisburg.

The Dominion ultimately agreed to give the Truro branch to any person or company undertaking to build this eastern extension line under a tripartite agreement made between the Dominion, the Province and the Halifax and Cape Breton Railway and Coal Company, who were the contractors for building the eastern extension railway.

The contractors completed the road and dissatisfaction occurred in connection with its construction. Eventually the company agreed to transfer its interest in the Pictou branch to the Province of Nova Scotia. Difficulties, however, arose in respect to the transfer by the Dominion Government of the Truro-Pictou branch. There were unfortunate delays in the negotiations and the failure of the Dominion Government to implement its assurances, equivalent to a breach of faith, placed the Provincial Government in an awkward position and compelled it to dispose of the railway to the Federal authorities. Finally, after interviews, delegations to Ottawa and prolonged negotiations, the Government of Canada agreed to take over from the Province of Nova Scotia the extension from New Glasgow to the Strait, paying the province therefor, on the 30th May, 1884, the sum of \$1,403,750. For a year thereafter there was a large balance of about \$33,000 which was in dispute between the province and the Dominion. It seemed impossible to secure adherence to a bargain as would have been the case in relations with individuals. Thus it was that there was never a cessation of strife between the province and the Dominion.

In 1891 Mr. Fielding in the Legislature gave notice of a motion for the appointment of a committee to prepare an address to the Governor General requesting that the Dominion Government refund to Nova Scotia the money expended by way of subsidy by this province to the Eastern Extension and the Western Railways. This was claimed not

as a matter of law but, since Nova Scotia had been forced to accept the offer of the Dominion, the Provincial Government could not now be precluded from presenting a claim if it were just.

The Intercolonial Railway from the city of Quebec to Sydney had been built by the Dominion excepting that stretch of line from New Glasgow to Mulgrave. If the Dominion had built all of the Intercolonial except this portion Nova Scotia would not have been burdened with it. The Counties of Pictou, Antigonish and Guysboro had also claims in connection with the right of way expropriated for the construction of this road.

The Dominion disputed the right to repay this subsidy to the Province and with regard to the claim of the western counties railways, the Dominion claimed the subsidy had been given free from all right of recovery. The railway was declared to be for the general benefit of Canada in order that the Railway Act of Canada might apply, and this afforded no reason for the province to present a claim.

The reply of the Dominion came before the House of Assembly in 1894 and the committee's report thereon complained of the delay for two years in receiving an answer. Correspondence continued but no further result was obtainable until 1898 when a further demand was made by Premier Murray upon the Federal Government for repayment of the Eastern Extension subsidies, the western railway claims being left in abeyance. It was ultimately agreed that the whole matter should be referred to arbitration.

The commission acting under the powers with which they were invested dealt with the claims upon broad and equitable grounds and came to the conclusion that the claim of the Province was a just one and recommended that they should be paid the sum of \$671,836, the amount of the bonus paid for the construction of the railway. The commission concludes its finding (see Appendix 18, Journals H. A. 1901) as follows:

"As to the interest claimed, there are many reasons why it should not, in our opinion, be allowed. It was not claimed for many years, and although claims were made by the Province from time to time, they were made on different grounds and for altogether different matters, or, as is sometimes said, for better terms. The present arrangement having resulted favorably in the profitable working of the roads, benefiting the Province as well as the Dominion, we think the ends of justice will be satisfied by allowing the claim without interest".

"The reference does not empower us to deal with the costs, and we therefore make no recommendation as to them.

"We trust that this repayment will have the effect of removing a grievance which has rankled in the minds of the people of Nova Scotia for many years.

The province secured the repayment of the subsidies which had been made for the construction of this railway, but was required to pay its own costs although the award went against the Dominion.

Furthermore, it is submitted that the fact that the interest was not claimed for a certain period of time should be no bar against its payment on equitable grounds, even today. Before the arbitration was determined upon, the province would have been very grateful, it is true, to receive even the principal sum but a fair and equitable disposition would have carried with

it interest as well. The claim was secured only after a legal contest before arbitrators, the Dominion Government having employed the best counsel it could retain to contest the claim. The payment, however, of this amount closed an incident in connection with railway construction in Nova Scotia which for a long time occupied the stage of public opinion and kept alive differences between the Dominion and the Government of Nova Scotia.

The claims of the counties in respect to return of the moneys paid to the company for right of way were subsequently considered, the claims being first found not to be a charge against the Government of the Province but on subsequent arbitration were paid by the Federal Government to the counties of Pictou, Antigonish and Guysboro.

## DEBT ALLOWANCES

### Nova Scotia.

Sections 102 to 126 inclusive of the British North America Act 1867 deal with Revenues, Debts, Assets and Deductions. The following sections have particular reference to Debt Allowances:

104. The annual interest of the public debt of the several provinces of Canada, Nova Scotia, and New Brunswick at the Union, shall form the second charge on the consolidated revenue fund of Canada.

110. All assets connected with such portions of the public debt of each province, as are assumed by that province, shall belong to that province.

111. Canada shall be liable for the debts and liabilities of each province existing at the Union.

114. Nova Scotia shall be liable to Canada for the amount (if any) by which its public debt exceeds at the Union eight million dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

115. New Brunswick shall be liable to Canada for the amount (if any) by which its public debt exceeds at the Union seven million dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

116. In case the public debts of Nova Scotia and New Brunswick do not at the Union amount to eight million and seven million dollars respectively, they shall respectively receive by half yearly-payments in advance from the Government of Canada interest at five per centum per annum on the difference between the actual amounts of their respective debts and such stipulated amounts.

As already stated the \$8,000,000 provided by Section 114 as Nova Scotia's Debt Allowance, was increased by Chapter 2 of the Acts of 1869 to \$9,188,756.00. Subsequent to the negotiations between the provinces in 1864 Nova Scotia had continued expenditures on various railways, the new Province Building, and other public works, so that its debt in January 1869 was \$9,288,181.00. Amounts totalling over \$2,067,048.85 were withdrawn from Ottawa for the payment of various capital expenditures from 1867 to 1877, the practice being to allow the provinces to withdraw from debt account moneys necessary for the construction of such public works, with the result that of the original



Debt Allowance to Nova Scotia, but \$62,574.93 remains undrawn at Ottawa. (Chapter 17, Acts of 1874). To the original allowance was added an amount of \$199,490 fixed by Chapter 30 of the Acts of 1873 and Chapter 4 of 1874, and \$793,368.71 added by Chapter 4 of the Acts of 1884, making in all an amount of debt of \$1,055,433.64 upon which interest at 5% is paid at the present time. This amount is being diminished every year as debts or notes of Nova Scotia before Confederation are presented for payment. Particulars of the amounts withdrawn from Ottawa for railways and other public works, from 1867 to 1882 are as follows:—(Journals H.A. for those years:)—

|  |              |
|--|--------------|
| 1867—Baring Brothers. ....                       | \$291,517.21 |
| 1868-1870—Fleming Contract (Pictou & Truro)..... | \$266,123.95 |
| 1870—Avon Bridge. ....                           | \$ 53,679.34 |
| 1874-1878—Western Counties Railway.....          | \$695,351.00 |
| 1875-1877—Springhill & Parrsboro Railway.....    | \$131,650.00 |
| 1877-1878—Eastern Extension Railway.....         | \$448,728.35 |
| 1877-1878—Nictaux & Atlantic Railway.....        | \$ 80,000.00 |

### Other Provinces.

Nova Scotia was also given credit for any amounts expended subsequent to 1864 on buildings and works taken over by the Dominion totalling \$3,774,289.

The amounts standing to the credit of other provinces as the result of Debt Allowances or in lieu of Debt Allowances are as follows:

New Brunswick—\$529,299.39—balance on amount allowed under 47 Vic. Cap. 4, 1884.

Prince Edward Island—\$4,701,050.00—35 Vic. Cap. 40, 1873,—182,373.78—47 Vic. Cap. 4, 1884.

These two amounts have been reduced by contra payments—(Prince Edward Island Railway cost) to \$775,791.83, on which interest is now paid of \$38,789.58 per annum.

Ontario—\$2,848,289.53—Interest, \$142,414.48, under 47 Vic. Cap. 4, 1884

Quebec—\$2,549,213.60—Interest \$127,460.48, under 47 Vic. Cap. 4, 1884.

Manitoba,—was originally allowed:

\$472,090.00—33 Vic. Cap. 3, 1870; to which were added:

79,357.00—36 Vic. Cap. 30, 1873

110,825.07—47 Vic. Cap. 4, 1884

4,054,757.35—48-49 Vic. Cap. 50, 1885;

These amounts were reduced from time to time as advances for Provincial purposes were made by the Dominion, until in 1889, the capital of these sums became reduced to \$3,311,914.80. In 1890 the amount of \$267,026.43, additional allowances for public buildings, was added to the principal sum and the interest for fourteen years thereafter payable yearly on debt account was there by increased to \$178,947.06. (61 Vict. Ch. 4, 1898.)

These later allowances were superseded by an amount of \$7,631,683.85 under authority of 2 Geo. V. Cap. 32, Section 4, 1912, on which the Dominion pays five per cent. per annum—\$381,584.19.

Alberta—5 per cent. on \$8,107,500.00 allowance in lieu of debt—\$405,375.00—4-5 Ed. VII Cap. 3, 1905.

Saskatchewan—5 per cent. on \$8,107,500, allowance in lieu of debt—\$405,375.00—4-5 Ed. VII, Cap. 42, 1905.

### **Basis of Debt Allowances.**

The original intention of the British North America Act, 1867, was to allow, approximately, \$25.00 per head of the population on the census of 1861. Proceeding upon that basis the \$62,500,000 allowed to Ontario and Quebec was the equivalent of \$24.92 per head; the \$8,000,000 allowed to Nova Scotia was the equivalent of \$24.18; and the \$7,000,000 allowed to New Brunswick was the equivalent of \$27.77 per head.

By the better terms legislation of 1869, Nova Scotia received an additional amount of \$1,186,756, dating this back to 1st July, 1867, thus giving an amount in all of \$9,186,756, equivalent to \$27.77 per head; and in this an explanation is afforded of the object in giving this additional amount to Nova Scotia, i.e., to make it equal to that of New Brunswick.

It will be observed that Ontario and Quebec did not receive any equivalent in the readjustment of the debt allowance to Nova Scotia in 1869.

Manitoba entered the Union in 1870, with a debt allowance of \$472,090, which on an estimated population of 17,000, was equivalent to \$27.77 per head.

British Columbia entered the Union in 1871, with a debt allowance of \$1,666,200, which on an estimated population of 60,000 was equivalent to \$27.77 per head.

It will thus be seen that the basis upon which these provinces entered the Union before the better terms Act of 1873 and 1884 was that of \$27.77 per head of either the ascertained or agreed population, except in the cases of Ontario and Quebec, which remained as before stated in the basis of \$24.92 per head.

The increases allowed under 47 Vic. Cap. 4, 1884, were not properly allowances for debt, though growing out of these allowances. Ontario and Quebec having been charged interest on the excess of debt between 1867 and 1873, it was decided to recoup these provinces for the deductions. The amounts stated in the Act, 1884, for Ontario and Quebec represent these deductions with interest down to the date of the passing of the Act. The other provinces received a proportionate increase.

The per capita allowance for debt should exclude the amount placed to the credit of the several provinces for the reasons stated in the preceding paragraph, and the following computations include the sums mentioned in the Act of 1884—for information only—and based upon the population upon which each Province entered the Union, except in the cases of Manitoba, British Columbia and Prince Edward Island, when the population as originally fixed was changed under the legislation of 1885.

The per capita allowance, qualified as above, was as follows:

|  |                |
|--|----------------|
| Ontario and Quebec, B. N. A. Act, 1867.....    | 24.92 per head |
| Ontario and Quebec, 36 Vic. Cap. 30, 1873..... | 4.19 per head  |

|   |               |
|---|---------------|
| Per capita allowance for debt.....            | \$29.11       |
| Ontario and Quebec, 47 Vic. Cap. 4, 1884..... | 2.16 per head |

|   |         |
|---|---------|
| Nova Scotia, B. N. A. Act, 1867.....      | \$24.18 |
| Nova Scotia, 32-33 Vic. Cap. 2, 1869..... | 3.58    |
| Nova Scotia, 36 Vic. Cap. 30, 1873\.....  |         |
| 37 Vic. Cap. 3, 1874\.....                | 4.67    |

|  |       |
|--|-------|
| Per capita allowance for debt.....     | 32.43 |
| Nova Scotia, 47 Vic. Cap. 4, 1884..... | 2.39  |

|   |       |
|---|-------|
| New Brunswick, B. N. A. Act, 1867.....    | 27.77 |
| New Brunswick, 36 Vic. Cap. 30, 1873..... | 4.66  |

|  |       |
|--|-------|
| Per capita allowance for debt.....       | 32.43 |
| New Brunswick, 47 Vic. Cap. 4, 1884..... | 2.39  |

|                                      |       |
|--------------------------------------|-------|
| Manitoba, 33 Vic. Cap. 3, 1870.....  | 27.77 |
| Manitoba, 36 Vic. Cap. 30, 1873..... | 4.66  |

|                                     |       |
|-------------------------------------|-------|
| Per capita allowance for debt.....  | 32.43 |
| Manitoba, 47 Vic. Cap. 4, 1884..... | 1.79  |

The allowances under the Acts of 1870 and 1873 were made upon the estimated population of 17,000 for Manitoba, but in 1884 a different apportionment or basis of apportionment was provided for Manitoba, British Columbia and Prince Edward Island (see 47 Vic. Cap. 4, Sec. 2, 1884) than that of the population determined upon when these provinces entered the Union. It follows, therefore, that in respect of the three provinces last named the allowance for debt on and after the passing of the Act (47 Vic. Cap. 4, 1884) for comparative purposes is disturbed.

The amount allowed under the Act of 1884, which is strictly not an allowance for debt, as previously noted—\$110,825.07— was founded on population of 62,260 as ascertained by the census of 1881, and the subsequent amount of \$4,054,757.35 given under 48-49 Vic. Cap. 50, 1885, was based upon an estimated population of 125,000 approximately equivalent to the per capita allowance given under the Acts of 1870 and 1873 on an estimated population of 17,000 of \$32.43 as above shown.

By 2 Geo. V. Cap. 32, Sec. 4, 1912, Manitoba received in lieu of former debt allowance an amount equivalent to interest at 5% on a capital sum of \$8,107,500 less advances previously made of \$475,816.15, reducing the capital sum to \$7,631,683.85, making an annual payment of deductions provided for in subsection 3, section 4 of that Act.

The original sum of \$8,107,500 on an assumed population of 250,000 is equivalent to a per capita allowance for debt of \$32.43. Manitoba was by the statute of 1912 put upon the same basis as Alberta and Saskatchewan, as hereinafter referred to.

|  |       |
|--|-------|
| British Columbia, B. N. A. Act, 1871.....    | 27.77 |
| British Columbia, 36 Vic. Cap. 30, 1873..... | 4.66  |

|   |       |
|---|-------|
| Per capita allowance of debt.....           | 32.43 |
| British Columbia, 47 Vic. Cap. 4, 1884..... | 1.68  |



The note previously made with reference to the debt allowance to Manitoba applies equally to that of British Columbia.

Prince Edward Island—by the Schedule to the Imperial Order-in-Council of the 26th June, 1873, admitting this province into the Union, owing to the isolated and exceptional conditions, and also the cost of building the Prince Edward Island Railway, an allowance of \$50.00 per head was made for debt, representing a capital sum of \$4,701,050.

|                                      |       |
|--------------------------------------|-------|
| Imperial Order-in-Council, 1873..... | 50.00 |
| 47 Vic. Cap. 4, 1884.....            | 1.68  |

|  |       |
|--|-------|
| Alberta, 4-5 Edw. VII, Cap. 3, 1905..... | 32.43 |
|--|-------|

NOTE—This sum of \$32.43 is the basis for the \$8,107,500 mentioned in Section 19 of Chapter 3 just cited. It was estimated that the population of Alberta was 250,000. Multiplying this population figure by \$32.43, the basis per capita for several of the provincial allowances in this behalf, we get the sum of \$8,107,500.

|  |       |
|--|-------|
| Saskatchewan, 4-5 Edw. VII, Cap. 42, 1905..... | 32.43 |
|--|-------|

NOTE—This sum of \$32.43 is the basis for the \$8,107,500 mentioned in section 19 of Chapter 42 just cited. It was estimated that the population of Saskatchewan was 250,000. Multiplying this population figure by \$32.43, the basis per capita for several of the provincial allowances in this behalf, we get the sum of \$8,107,500.

NOTE—The allowance to Manitoba of \$381,584.19 is on the basis of an assumed population of 250,000.

### **Assets to Represent Debt of Nova Scotia**

In considering the subsidy apportionments for the western provinces, it seems to have been overlooked that although Nova Scotia and the other provinces were given debt allowances, such allowances represented assets which under the Confederation agreement were transferred by the provinces to the Dominion. The Dominion therefore received a quid pro quo for the debt of the provinces which it assumed. Nothing of the sort happened or could happen in the case of the western provinces. Whatever federal debt existed in respect to the territories continued to be a liability of the Dominion. For the debt allowances of these provinces no corresponding assets were transferred to the Dominion. In so far as Nova Scotia contributed to the Dominion the assets which represented expenditures made from moneys raised through creation of the public debt, Nova Scotia is entitled to have that portion eliminated in determining the extent to which the debt allowance originally given should bear a deduction. The principle which apparently the framers of Confederation had in mind at the time the terms were drawn up, was that the Dominion should assume the public debt of each of the provinces. The agreement further contemplated that the assets represented by the debt assumed, apart from such as would necessarily remain under provincial jurisdiction, should pass with the debt.

### **A Misapprehension of Original Basis.**

It would appear as if some error had crept into this legislation following the parallel of debt allowance in Manitoba. In view, therefore, of the fact that the greater part of the actual debts of Nova Scotia and New Brunswick represented railway construction costs, the debt allowance in its effect upon the maritime provinces as compared with that upon the prairie provinces is inequitable and unfair, and based upon a misapprehension

of the considerations upon which the original allowance was provided for under the British North America Act.

In applying the principle of debt allowance to the Western provinces no consideration was taken of the bargaining which lay behind its original application, and today these provinces are enjoying large subsidies for which, on equitable dealing, an adjustment should be made with the other provinces.

Nova Scotia's debt on July 1st, 1867, as subsequently determined, was \$9,188,756. The following are particulars of the main assets which passed to the Dominion at Confederation in respect to this debt:

|  |                |
|--|----------------|
| Railways to Windsor, Truro and Pictou..... | \$6,635,108.86 |
| St. Peters Canal.....                      | 136,388.30     |
| Province Building (Post Office).....       | 227,300.00     |
| Total.....                                 | \$6,998,797.16 |

In addition to the foregoing an amount of \$1,110,000 had been expended or was in course of payment on the Windsor and Annapolis Railway which was later declared by the Dominion to be a work for the general benefit of Canada. Besides, there were certain capital expenditures included in the debt for lighthouses and piers, for works upon Sable Island, and for various expenditures upon public harbours, the assets in respect to which and control over which passed to the Dominion at confederation.

The subsequent cost of providing customs houses, post offices and various other federal public works, in the prairie provinces, are not charged against the debt allowances of Manitoba, Saskatchewan and Alberta, but have been paid by the Dominion as a whole, and form part of the public debt of Canada, or are paid out of consolidated revenue of Canada.

Equitably, therefore, an increase should be made to the debt allowance of Nova Scotia, representing on a per capita basis an amount equivalent to debt credits of these western provinces.

### SUBSIDY GRANTS AND ALLOWANCES.

From 1869 to the present time no alteration has been made in the terms by which Nova Scotia receives subsidy allowance, and no special further consideration has been given to meet her special wants and interests, as it was indicated by the British Government would be given by the Dominion of Canada. Only one province in all Canada, Prince Edward Island, receives today less subsidy from the federal treasury than does Nova Scotia. From time to time various grants have been made to all the provinces, except Ontario and Quebec, which were designed to meet demands for local administration or to satisfy certain necessities of the time. As will be observed from a consideration of the financial statement which follows, the only increase in subsidy which Nova Scotia has received has been due to increase of population, and the special increase in allowance for government which was given to all the provinces by the British North America Act of 1907. Even the increase due to population was denied this province by the terms of the British North America Act in 1867 over a period of 26 years from 1881 to 1906.

The following statements will show the subsidy payments of the Dominion from time to time, and illustrate by comparison the treatment which Nova Scotia has received from the Federal Government:

**Total of Subsidy Allowances of the Dominion from 1st July, 1867,  
to March 31, 1926.**

| Province                  | Allowance<br>for<br>Government | Allowance<br>per head of<br>population | Special<br>grants (1) | Interest<br>on debt<br>Allowance (2) | Total        |
|---------------------------|--------------------------------|--|-----------------------|--------------------------------------|--------------|
| Prince Edward Island..... | \$ 2,920,000                   | \$ 4,527,342                           | \$4,527,342           | \$2,253,739                          | \$13,118,346 |
| Nova Scotia.....          | 6,010,000                      | 19,985,831                             | 826,980               | 2,760,538                            | 29,583,349   |
| New Brunswick.....        | 5,420,000                      | 15,246,846                             | 8,580,000             | 1,185,915                            | 30,432,761   |
| Quebec.....               | 7,360,000                      | 66,313,077                             |                       | 4,177,106                            | 77,850,184   |
| Ontario.....              | 7,760,000                      | 83,100,972                             |                       | 3,746,788                            | 94,607,760   |
| Manitoba.....             | 5,215,000                      | 12,458,995                             | 11,191,669            | 10,297,946                           | 39,163,610   |
| Saskatchewan.....         | 3,736,666                      | 9,712,443                              | 11,156,250            | 8,512,875                            | 33,118,235   |
| Alberta.....              | 3,636,666                      | 7,679,064                              | 10,687,500            | 8,512,875                            | 30,516,106   |
| British Columbia.....     | 4,610,000                      | 8,412,808                              | 6,500,000             | 1,613,092                            | 21,135,900   |
| Totals.....               | 46,668,332                     | 227,437,378                            | 53,469,741            | 43,060,874                           | 369,526,251  |

1.—Includes compensation for lands and allowances for buildings.

2.—Includes allowance in lieu of debt.

**SUBSIDY PAYMENTS OF DOMINION TO PROVINCES OF CANADA  
FOR CERTAIN PERIODS SINCE 1867.**

| Province                      | 1867       | 1912       | 1925       | Population<br>1921 |
|-------------------------------|------------|------------|------------|--------------------|
| Prince Edward Island (1)..... | \$ 150,217 | \$ 381,932 | \$ 381,932 | 88,615             |
| Nova Scotia (2).....          | 324,685    | 636,666    | 661,854    | 523,837            |
| New Brunswick.....            | 251,638    | 637,976    | 666,766    | 387,876            |
| Quebec.....                   | 959,253    | 1,969,630  | 2,256,420  | 2,361,199          |
| Ontario.....                  | 1,196,873  | 2,396,379  | 2,642,612  | 2,933,662          |
| Manitoba (1).....             | 67,204     | 1,450,757  | 1,501,551  | 610,118            |
| Saskatchewan (1).....         | 1,030,375† | 1,548,189  | 1,757,005  | 757,510            |
| Alberta (1).....              | 1,030,375† | 1,260,722  | 1,674,435  | 588,454            |
| British Columbia (1).....     | 207,996    | 723,135    | 738,816    | 524,582            |
| Territories.....              |            |            |            | 12,630             |
| Totals.....                   |            | 11,005,386 | 12,281,391 | 8,788,483          |

(1).—Allowance when entering Dominion.

(2).—Special temporary allowance for 10 years, 1867-1877, of \$82,698 in addition.

†—Special temporary building allowance for 5 years, 1905-1910, of \$93,750 in addition.



**AMOUNT OF SUBSIDY PAYMENTS PER CAPITA IN EACH PROVINCE OF  
CANADA ACCORDING TO POPULATION OF 1921, OR ESTIMATED  
POPULATION UPON WHICH PAYMENT IS MADE.**

|                           | Per Capita Population |           |                      |
|---------------------------|-----------------------|-----------|----------------------|
| Prince Edward Island..... | 4.30                  | 88,615    | Census 1921          |
| Nova Scotia.....          | 1.26                  | 523,837   | " "                  |
| New Brunswick.....        | 1.72                  | 387,876   | " "                  |
| Quebec.....               | .95                   | 2,361,199 | " "                  |
| Ontario.....              | .83                   | 2,933,662 | " "                  |
| Manitoba.....             | 2.31                  | 651,200   | Subsidy Estimate '24 |
| Saskatchewan.....         | 2.23                  | 828,600   | " " "                |
| Alberta.....              | 2.59                  | 645,700   | " " "                |
| British Columbia.....     | 1.41                  | 524,582   | Census 1921          |

**SUBSIDIES PAYABLE TO NOVA SCOTIA AT EACH DECENNIAL PERIOD.**

| Year      | Population | Allowance<br>for<br>Government | Allowance<br>per head of<br>population | Interest<br>on debt<br>allowance | Total    |
|-----------|------------|--------------------------------|--|----------------------------------|----------|
| 1861..... |            |                                |  |                                  | †324,685 |
| 1871..... | 387,800    |                                |  |                                  | †370,240 |
| 1881..... | 440,572    | 60,000                         | 320,000                                | 52,880                           | 432,880  |
| 1891..... | 450,396    | 60,000                         | 320,000                                | 52,816                           | 432,816  |
| 1901..... | 459,574    | 60,000                         | 320,000                                | 52,806                           | 432,806  |
| 1911..... | 492,338    | 190,000                        | 393,870                                | 52,796                           | 636,666  |
| 1921..... | 523,837    | 190,000                        | 419,070                                | 52,796                           | 661,866  |
| 1926..... | 523,837    | 190,000                        | 419,070                                | 52,771                           | 661,841  |

†—In 1869 a special additional grant of \$82,698 was given Nova Scotia for ten years from 1867 to 1877.

**SUBSIDY ALLOWANCES BY PROVINCES.**

The readjustment of the subsidy allowance of the various provinces has been brought about as shown in the following tables, which give the present subsidy and how payable, the history of the readjustment and the various payments made on account of subsidies.

**NOVA SCOTIA.**

|   |              |
|---|--------------|
| Subsidy on pop. 523,837 at, 80c. per head (Census 1921).....  | \$419,069.60 |
| Allowance, British North America Act, 1907.....   | 190,000.00   |
| Interest on debt allowance (6m. 5% on 1,055,929.12 and 6m. on 1,055,433.64;<br>of this amount, 253,166 rep. a deposit of Baring Bros. not withdrawn.) | 52,771.68    |
|   | \$661,841.28 |

**HISTORY OF READJUSTMENT.**

|   |              |
|---|--------------|
| Original subsidy (1867).....  | \$324,685.60 |
| Census 1871. (Increase at 80c. per head).....   | 45,554.40    |
| Increase of debt allowance (applicable on same basis all provinces) 36 Vic. Cap. 30, 1873 (Dom) and 37 Vic. Cap. 3, 1874 (Dom)..... | 13,137.12    |
| Census 1881 (bringing total up to \$320,000, per capita allowance being less than actual population).....                           | 9,760.00     |
| Further increase of debt allowance (applicable on same basis all provinces) 47 Vic. Cap. 4, 1884, Dom.....                          | 39,668.44    |
| Census 1891 (No increase).....  |              |
| Census 1901 (No increase).....  |              |
| B. N. A. Act 1907, allowing increased subsidy per capita according to population.....   | 47,659.20    |
| Increase of grant for local purposes and Gov't. B.N.A. Act 1907, (7 Edw. VII. Cap. 11, G. B.).....                                  | 130,000.00   |
| Census 1911.....  | 26,211.22    |
| Census 1921.....  | 25,199.20    |
|   | <hr/>        |
|   | \$661,875.18 |
| Less deduction of interest payable on debt allowance due to notes of the old Province of Nova Scotia being redeemed.....            | 33.90        |
|   | <hr/>        |
|   | \$661,841.28 |
| Additional allowance for ten years from 1867 to 1877 at \$82,698 per year.  |              |

**Payments on Account of Subsidies.**

| <b>Fiscal Years</b>                      | <b>No. of<br/>Years</b> | <b>Annual<br/>Rate</b> | <b>Amount</b>  | <b>Total</b>   |
|--|-------------------------|------------------------|----------------|----------------|
| <b>Allowances for Government</b>         |                         |                        |                |                |
| 1867-8 to 1906-7.....                    | 40                      | \$ 60,000.00           | \$2,400,000.00 |                |
| 1907-8 to 1925-6.....                    | 19                      | 190,000.00             | 3,610,000.00   |                |
|  |                         |                        | <hr/>          | \$6,010,000.00 |
| <b>Allowances per head of population</b> |                         |                        |                |                |
| 1867-8 to 1870-1.....                    | 4                       | 264,685.60             | 1,058,742.40   |                |
| 1871-2 to 1880-1.....                    | 10                      | 310,240.00             | 3,102,400.00   |                |
| 1881-2 to 1906-7.....                    | 26                      | 320,000.00             | 8,320,000.00   |                |
| 1907-8 to 1910-1.....                    | 4                       | 367,659.20             | 1,470,636.80   |                |
| 1911-2 to 1920-1.....                    | 10                      | 393,870.40             | 3,938,704.00   |                |
| 1921-2 to 1925-6.....                    | 5                       | 419,069.60             | 2,095,348.00   |                |
|  |                         |                        | <hr/>          | 19,985,831.20  |
| <b>Special Grants</b>                    |                         |                        |                |                |
| 1867-8 to 1876-7.....                    | 10                      | 82,698.00              |                | 826,980.00     |

## Interest on Debt Allowances.

|  |    |           |                 |
|--|----|-----------|-----------------|
| 1868-69.....                                     | 1  |           | \$55,523.12     |
| 1869-70.....                                     | 1  |           | 35,754.93       |
| 1870-71.....                                     | 1  |           | 684.36          |
| 1871-72.....                                     | 1  |           | 18,146.54       |
| 1872-73.....                                     | 1  |           | 20,368.92       |
| 1873-74.....                                     | 1  |           | 96,902.80       |
| 1874-75.....                                     | 1  |           | 96,651.21       |
| 1875-76.....                                     | 1  |           | 81,544.99       |
| 1876-77.....                                     | 1  |           | 67,706.40       |
| 1877-78.....                                     | 1  |           | 48,461.28       |
| 1878-79.....                                     | 1  |           | 29,685.85       |
| 1879-80.....                                     | 1  |           | 8,390.13        |
| 1880-81.....                                     | 1  |           | 34,842.13       |
| 1881-82.....                                     | 1  |           | 4,145.96        |
| 1882-83.....                                     | 1  |           | 13,753.01       |
| 1883-84.....                                     | 1  |           | 12,957.62       |
| 1884-85.....                                     | 1  |           | 52,620.34       |
| 1885-86.....                                     | 1  |           | 52,750.22       |
| 1886-87.....                                     | 1  |           | 52,882.18       |
| 1887-88.....                                     | 1  |           | 52,872.62       |
| 1888-89.....                                     | 1  |           | 52,867.13       |
| 1889-90.....                                     | 1  |           | 52,831.28       |
| 1890-91.....                                     | 1  |           | 52,822.99       |
| 1891-92.....                                     | 1  |           | 52,819.41       |
| 1892-93.....                                     | 1  |           | 52,815.45       |
| 1893-94.....                                     | 1  |           | 52,814.09       |
| 1894-95.....                                     | 1  |           | 52,812.82       |
| 1895-96.....                                     | 1  |           | 52,811.56       |
| 1896-97.....                                     | 1  |           | 52,808.96       |
| 1897-98.....                                     | 1  |           | 52,808.03       |
| 1898-99.....                                     | 1  |           | 52,806.88       |
| 1899-00.....                                     | 1  |           | 52,806.66       |
| 1900-01.....                                     | 1  |           | 52,806.54       |
| 1901-02.....                                     | 1  |           | 52,806.30       |
| 1902-03 to 1908-09.....                          | 7  | 52,805.56 | 369,638.92      |
| 1909-10 to 1910-11.....                          | 2  | 52,801.28 | 105,602.56      |
| 1911-12.....                                     | 1  |           | 52,798.86       |
| 1912-13 to 1923-24.....                          | 12 | 52,796.46 | 633,557.52      |
| 1924-25.....                                     | 1  |           | 52,784.07       |
| 1925-26.....                                     | 1  |           | 52,771.68       |
|  |    |           | <hr/>           |
|  |    |           | \$2,843,236.32  |
| Less amount deducted in Fiscal Year 1867-68..... |    |           | 82,698.09       |
|  |    |           | <hr/>           |
|  |    |           | 2,760,538.23    |
|  |    |           | <hr/>           |
|  |    |           | \$29,583,349.43 |



**PRINCE EDWARD ISLAND.**

|   |              |
|---|--------------|
| By Subsidy on population of 109,078 at 80c. per head (census 1891).....       | \$87,262.40  |
| By allowance B.N.A. Act, 1907.....  | 100,000.00   |
| By allowance in lieu of lands, 1873.....                                      | 45,000.00    |
| By additional subsidy allowance 50-51 Vic. C. 8.....                          | 20,000.00    |
| By allowance for S.S. service, 1 Edw. 7, C. 3, Sec. 1.....                    | 30,000.00    |
| By interest on debt allowance, 5% on \$775,791.83.....                        | 38,789.58    |
| By special grant, 2 Geo. 5, C. 42, Sec. 2.....                                | 100,000.00   |
|   | <hr/>        |
|   | \$421,051.98 |
| Less Int. on lands purchased a/c. 5% on \$782,402.53, o/c Windsor, June, 1873 | 39,120.10    |
|   | <hr/>        |
|   | \$381,931.88 |

**History of Readjustment.**

|   |              |
|---|--------------|
| Subsidy on Entry (1873) p. 89 B.N.A.....                | \$150,216.80 |
| Census in 1881.....                                     | 11,925.60    |
| 50-51 Vic. C. 8, 1887.....                              | 20,000.00    |
| Census 1891.....  | 120.00       |
| 1 Edw. VII, C. 3, 1901.....                             | 30,000.00    |
| B. N. A. Act, 1907.....                                 | 70,000.00    |
| Additional 1913, \$100,000 - \$330.52 readjustment..... | 99,669.48    |
|   | <hr/>        |
|   | \$381,931.88 |

**Payments on Account of Subsidy.**

| <b>Fiscal Years</b>                          | <b>No. of<br/>Years</b> | <b>Annual<br/>Rate</b> | <b>Amount</b>  | <b>Total</b>   |
|--|-------------------------|------------------------|----------------|----------------|
| <b>Allowances for<br/>Government</b>         |                         |                        |                |                |
| 1873-74 to 1906-07.....                      | 34                      | \$30,000.00            | \$1,020,000.00 |                |
| 1907-08 to 1925-26.....                      | 19                      | 100,000.00             | 1,900,000.00   |                |
|  |                         |                        | <hr/>          | \$2,920,000.00 |
| <b>Allowances per<br/>head of population</b> |                         |                        |                |                |
| 1873-74 to 1880-81.....                      | 8                       | \$75,216.80            | \$601,734.40   |                |
| 1881-82 to 1890-91.....                      | 10                      | 87,142.40              | 871,424.00     |                |
| 1891-92 to 1925-26.....                      | 35                      | 87,262.40              | 3,054,184.00   |                |
|  |                         |                        | <hr/>          | 4,527,342.40   |
| <b>Special Grants</b>                        |                         |                        |                |                |
| 1873-74 to 1886-87.....                      | 14                      | 45,000.00              | 630,000.00     |                |
| 1887-88 to 1900-01.....                      | 14                      | 65,000.00              | 910,000.00     |                |
| 1901-02 to 1911-12.....                      | 11                      | 95,000.00              | 1,045,000.00   |                |
| 1912-13 to 1925-26.....                      | 14                      | 195,000.00             | 2,730,000.00   |                |
|  |                         |                        | <hr/>          | \$5,315,000.00 |
| Less interest on land account.....           |                         |                        | 1,897,734.76   |                |
|  |                         |                        | <hr/>          | 3,417,265.24   |

## Interest on Debt Allowances.

|                         |    |           |              |                 |
|-------------------------|----|-----------|--------------|-----------------|
| 1873-74.....            | 1  |           | 130,624.59   |                 |
| 1874-75.....            | 1  |           | 78,863.58    |                 |
| 1875-76.....            | 1  |           | 43,115.06    |                 |
| 1876-77 to 1877-78..... | 2  | 41,594.30 | 83,188.60    |                 |
| 1878-79.....            | 1  |           | 40,076.50    |                 |
| 1879-80 to 1880-81..... | 2  | 39,667.80 | 79,335.60    |                 |
| 1881-82.....            | 1  |           | 39,665.20    |                 |
| 1882-83.....            | 1  |           | 39,662.89    |                 |
| 1883-84.....            | 1  |           | 39,644.96    |                 |
| 1884-85 to 1887-88..... | 4  | 48,793.64 | 195,174.56   |                 |
| 1888-89.....            | 1  |           | 48,789.61    |                 |
| 1889-90.....            | 1  |           | 39,173.14    |                 |
| 1890-91 to 1925-26..... | 36 | 38,789.58 | 1,396,424.88 |                 |
|                         |    |           |              | 2,253,739.17    |
|                         |    |           |              | \$13,118,346.81 |

## NEW BRUNSWICK.

|   |              |
|---|--------------|
| By subsidy on population of 387,876 at 80c. per head (1921 census)..... | \$310,300.80 |
| By allowance from B.N.A. Act, 1907.....                                 | 180,000.00   |
| By allowance in lieu of export duty on lumber.....                      | 150,000.00   |
| By interest on debt allowance \$529,229.39 at 5%.....                   | 26,464.96    |
|   | \$666,765.76 |

## History of Readjustment.

|                              |              |
|------------------------------|--------------|
| Original Subsidy (1867)..... | \$251,637.60 |
| Census 1871.....             | 26,837.60    |
| 36 Vic. C. 41, 1873.....     | 150,000.00   |
| Census 1881.....             | 28,511.20    |
| 47 Vic. C. 4, 1884.....      | 26,464.96    |
| Census 1891.....             | 24.00        |
| B. N. A. Act 1907.....       | 137,885.60   |
| Census 1911.....             | 16,615.20    |
| Census 1921.....             | 28,789.60    |
|                              | \$666,765.76 |

(Additional allowance 10 years, 1867-77, at \$63,000 per year)

## Payments on Account of Subsidy.

| Fiscal<br>Years              | No. of<br>Years | Annual<br>Rate | Amount         | Total          |
|------------------------------|-----------------|----------------|----------------|----------------|
| Allowances for<br>Government |                 |                |                |                |
| 1867-68 to 1906-07.....      | 40              | 500,000.00     | \$2,000,000.00 |                |
| 1907-08 to 1925-26.....      | 19              | 180,000.00     | 3,420,000.00   |                |
|                              |                 |                |                | \$5,420,000.00 |

**Allowances per head of Population.**

|                         |    |              |               |               |
|-------------------------|----|--------------|---------------|---------------|
| 1867-68 to 1870-71..... | 4  | \$201,637.60 | \$ 806,550.40 |               |
| 1871-72 to 1880-81..... | 10 | 228,475.20   | 2,284,752.00  |               |
| 1881-82 to 1890-91..... | 10 | 256,986.40   | 2,569,864.00  |               |
| 1891-92 to 1900-01..... | 10 | 257,010.40   | 2,570,104.00  |               |
| 1901-02 to 1910-11..... | 10 | 264,896.00   | 2,648,960.00  |               |
| 1911-12 to 1920-21..... | 10 | 281,511.20   | 2,815,112.00  |               |
| 1921-22 to 1925-26..... | 5  | 310,300.80   | 1,551,504.00  | 15,246,846.40 |

**Special Grants.**

|                         |    |              |              |              |
|-------------------------|----|--------------|--------------|--------------|
| 1867-68 to 1872-73..... | 6  | \$ 63,000.00 | 378,000.00   |              |
| 1873-74 to 1876-77..... | 4  | 213,000.00   | 852,000.00   |              |
| 1878-79 to 1925-26..... | 49 | 150,000.00   | 7,350,000.00 | 8,580,000.00 |

**Interest on Debt Allowances.**

|                         |    |             |            |                |
|-------------------------|----|-------------|------------|----------------|
| 1871-72.....            | 1  |             | \$ 144.80  |                |
| 1872-73.....            | 1  |             | 146.40     |                |
| 1874-75.....            | 1  |             | 22,162.88  |                |
| 1875-76.....            | 1  |             | 21,066.71  |                |
| 1876-77.....            | 1  |             | 19,854.01  |                |
| 1877-78.....            | 1  |             | 11,647.95  |                |
| 1878-79.....            | 1  |             | 2,695.35   |                |
| 1884-85.....            | 1  |             | 28,172.46  |                |
| 1885-86.....            | 1  |             | 38,025.20  |                |
| 1886-87.....            | 1  |             | 31,922.46  |                |
| 1887-88.....            | 1  |             | 31,370.13  |                |
| 1888-89.....            | 1  |             | 29,243.01  |                |
| 1889-90.....            | 1  |             | 27,328.62  |                |
| 1890-91.....            | 1  |             | 26,559.82  |                |
| 1891-92 to 1893-94..... | 3  | \$26,559.28 | 79,667.84  |                |
| 1894-95.....            | 1  |             | 26,556.78  |                |
| 1895-96 to 1896-97..... | 2  | 26,545.42   | 53,090.84  |                |
| 1897-98.....            | 1  |             | 26,527.60  |                |
| 1898-99.....            | 1  |             | 26,510.03  |                |
| 1899-00 to 1901-02..... | 3  | 26,481.38   | 79,444.14  |                |
| 1902-03 to 1925-26..... | 24 | 26,464.96   | 635,159.04 |                |
|                         |    |             |            | \$1,217,301.07 |

**Less Amounts Deducted.**

|              |             |  |  |                 |
|--------------|-------------|--|--|-----------------|
| 1873-74..... | \$26,187.48 |  |  |                 |
| 1879-80..... | 465.56      |  |  |                 |
| 1880-81..... | 1,126.18    |  |  |                 |
| 1881-82..... | 1,493.43    |  |  |                 |
| 1882-83..... | 98.37       |  |  |                 |
| 1883-84..... | 2,014.73    |  |  |                 |
|              |             |  |  | 31,385.75       |
|              |             |  |  | 1,185,915.32    |
|              |             |  |  | \$30,432,761.72 |



### QUEBEC.

|   |                |
|---|----------------|
| By Subsidy on Population of 2,361,199 at 80c. per head (census 1921)..... | \$1,888,959.20 |
| By allowance 47 Vic. C. 4.....  | 127,460.68     |
| By B. N. A. Act, 1907.....  | 240,000.00     |

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\$2,256,419.88

#### History of Readjustment.

|                              |            |
|------------------------------|------------|
| Original Subsidy (1867)..... | 959,252.80 |
| 47 Vic. C. 4, 1884.....      | 127,460.68 |
| B. N. A. Act, 1907.....      | 599,865.60 |
| Census 1911.....             | 283,051.20 |
| Census 1921.....             | 286,789.60 |

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\$2,256,419.88

#### Payments on Account of Subsidy.

| Fiscal<br>Years                      | No. of<br>Years | Annual<br>Rate | Amount         | Total                |
|--------------------------------------|-----------------|----------------|----------------|----------------------|
| <b>Allowances for<br/>Government</b> |                 |                |                |                      |
| 1867-68 to 1906-07.....              | 40              | \$ 70,000.00   | \$2,800,000.00 |                      |
| 1907-08 to 1925-26.....              | 19              | 240,000.00     | 4,560,000.00   |                      |
|                                      |                 |                |                | <hr/> \$7,360,000.00 |

#### Allowances per head of population

|                         |    |              |               |                     |
|-------------------------|----|--------------|---------------|---------------------|
| 1867-68 to 1906-07..... | 40 | 889,252.80   | 35,570,112.00 |                     |
| 1907-08 to 1910-11..... | 4  | 1,319,118.40 | 5,276,473.60  |                     |
| 1911-12 to 1920-21..... | 10 | 1,602,169.60 | 16,021,696.00 |                     |
| 1921-22 to 1925-26..... | 5  | 1,888,959.20 | 9,444,796.00  |                     |
|                         |    |              |               | <hr/> 66,313,077.60 |

#### Interest on Debt Allowances

|                         |    |            |              |  |
|-------------------------|----|------------|--------------|--|
| 1884-85 to 1887-88..... | 4  | 127,460.68 | 509,842.72   |  |
| 1888-89.....            | 1½ | 127,460.68 | 63,730.34    |  |
| 1889-90 to 1892-93..... | 4  |            |              |  |
| 1893-94 to 1925-26..... | 33 | 127,460.68 | 4,206,202.44 |  |

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4,779,775.50

Less amounts deducted in fiscal years 1867-68 to 1872-73..

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602,668.73

4,177,106.77

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\$77,850,184.37

### ONTARIO.

|  |                      |
|--|----------------------|
| By Subsidy on population of 2,933,662 (census 1921)..... | \$2,260,197.20       |
| 2,500,000 at 80c. per head.....                          | \$2,000,000.00       |
| 433,622 at 60c. per head.....                            | 260,197.20           |
| By allowance, 47 Vic. C. 4.....                          | 142,414.48           |
| By allowance, B. N. A Act, 1907.....                     | 240,000.00           |
|  | <hr/> \$2,642,611.68 |

**History of Readjustment.**

|                              |                |
|------------------------------|----------------|
| Original Subsidy (1867)..... | \$1,196,872.80 |
| 47 Vic. C. 4, 1884.....      | 142,414.48     |
| B. N. A. Act, 1907.....      | 789,484.80     |
| Census 1911.....             | 267,606.80     |
| Census 1921.....             | 246,232.80     |
|                              | <hr/>          |
|                              | \$2,642,611.68 |

**Payments on Account of Subsidy.**

| <b>Fiscal<br/>Years</b>                                    | <b>No. of<br/>Years</b> | <b>Annual<br/>Rate</b> | <b>Amount</b> | <b>Total</b>    |
|--|-------------------------|------------------------|---------------|-----------------|
| <b>Allowances for<br/>Government</b>                       |                         |                        |               |                 |
| 1867-68 to 1906-07.....                                    | 40                      | 80,000.00              | 3,200,000.00  |                 |
| 1907-08 to 1925-26.....                                    | 19                      | 240,000.00             | 4,560,000.00  |                 |
|  |                         |                        | <hr/>         | \$7,760,000.00  |
| <b>Allowances per head<br/>of population</b>               |                         |                        |               |                 |
| 1867-68 to 1906-07.....                                    | 40                      | 1,116,872.80           | 44,674,911.99 |                 |
| 1907-08 to 1910-11.....                                    | 4                       | 1,746,357.60           | 6,985,430.40  |                 |
| 1911-12 to 1920-21.....                                    | 10                      | 2,013,964.40           | 20,139,644.00 |                 |
| 1921-22 to 1925-26.....                                    | 5                       | 2,260,197.20           | 11,300,986.00 |                 |
|  |                         |                        | <hr/>         | 83,100,972.39   |
| <b>Interest on Debt<br/>Allowances</b>                     |                         |                        |               |                 |
| 1884-85 to 1887-88.....                                    | 4                       | 142,414.48             | 569,657.92    |                 |
| 1888-89.....   | 1½                      | 142,414.48             | 71,207.24     |                 |
| 1889-90 to 1892-93.....                                    | 4                       | .....                  | .....         |                 |
| 1893-94 to 1925-26.....                                    | 33                      | 142,414.48             | 4,699,677.84  |                 |
|  |                         |                        | <hr/>         | \$5,340,543.00  |
| Less amounts deducted in fiscal years 1867-68 to 1872-73.. |                         |                        | 1,593,754.70  |                 |
|  |                         |                        | <hr/>         | 3,746,788.30    |
|  |                         |                        |               | <hr/>           |
|  |                         |                        |               | \$94,607,760.69 |

**MANITOBA.**

|  |                |
|--|----------------|
| By Subsidy on population of 651,200 at 80c. per head (est. Jan. 1/25)....  | \$520,960.00   |
| By allowance B, N, A Act. 1907.....  | 190,000.00     |
| By allowance as authorized by sec. 5, ss. 1, of "The Manitoba Boundaries Extension Act, 1912" (in lieu of public lands on pop. between 400,000 and 800,000) .. | \$562,500.00   |
| Less swamp lands deducted, 5% on 2,769,856.66. ....  | 138,492.82     |
| Less university lands deducted, 5% on 300,000.00.....  | 15,000.00      |
|  | <hr/>          |
|  | 409,007.18     |
| By interest on debt allowance, 5% on \$7,631,683.85.....   | 381,584.18     |
|  | <hr/>          |
|  | \$1,501,551.36 |

### History of Readjustment.

|   |                |
|---|----------------|
| Original Subsidy, 1870.....   | \$47,987.80    |
| Re-adjustment, 1882.....  | 171,400.00     |
| 47 Vic. c. 4, 1884.....   | 5,541.25       |
| 47 Vic. c. 50, 1885.....  | 210,666.69     |
| Census, 1891.....   | 2,004.80       |
| Readjustment, 1894.....   | 29,995.20      |
| Readjustment, 1896.....   | 2,740.00       |
| 61 Vic. C. 4, 1898.....   | 13,351.32      |
| Census 1901.....  | 49,428.80      |
| Readjustment, 1904.....   | 75,831.20      |
| Readjustment, 1906.....   | 12,550.40      |
| B. N. A. Act, 1907.....   | 130,000.00     |
| Readjustment, 1909.....   | 86,749.60      |
| Census adjustment 1911 and 2 Geo. c. 32, 1912, less re-adjustment, 1913). | 511,650.30     |
| Readjustment, 1914.....   | 28,152.40      |
| Readjustment, 1916.....   | 28,154.40      |
| Readjustment, 1919.....   | 17,475.20      |
| Census, 1921.....   | 47,312.00      |
| Readjustment, 1924.....   | 30,560.00      |
|   | <hr/>          |
|   | \$1,501,551.36 |

### Temporary Allowances:

|  |              |
|--|--------------|
| Amount payable in two years, July, 1912 and July, 1913, in lieu of public lands to provide for construction public buildings (s. 5, ss. 8, "The Manitoba Boundaries Extension Act, 1912")..... | 201,723.57   |
| Adjustment under s. 5, ss. 1, of "The Manitoba Boundaries Extension Act, 1912".....  | 2,193,357.31 |
| Allowance for public buildings, 48-49 Vic. c. 50, 1885.....  | 150,000.00   |
| 61 Vic. c. 4, 1898.....  | 267,026.43   |

### School Lands:

|   |                 |
|---|-----------------|
| 598,410 acres sold at \$9.76 per acre up to 1926.....         | 5,840,489.21    |
| 7,395,190 acres unsold (1919 estimated returns of value)..... | 48,724,493.00   |
|   | <hr/>           |
| Total, 7,993,600 acres, valued at.....                        | \$54,564,982.21 |
| Net receipts to province from school lands to May, 1926.....  | \$5,596,575.18  |

### Payments on Account of Subsidy.

| Fiscal Years                     | No. of Years | Annual Rate | Amount       | Total          |
|----------------------------------|--------------|-------------|--------------|----------------|
| <b>Allowances for Government</b> |              |             |              |                |
| 1870-71 to 1880-81.....          | 11           | 30,000.00   | 330,000.00   |                |
| 1881-82.....                     | 1            |             | 40,000.00    |                |
| 1882-83 to 1906-07.....          | 25           | 50,000.00   | 1,250,000.00 |                |
| 1907-08.....                     | 1            |             | 180,000.00   |                |
| 1908-09.....                     | 1            |             | 185,000.00   |                |
| 1909-10 to 1925-26.....          | 17           | 190,000.00  | 3,230,000.00 |                |
|                                  |              |             | <hr/>        | \$5,215,000.00 |



**Allowances per head of Population.**

|                         |    |              |                       |
|-------------------------|----|--------------|-----------------------|
| 1870-71 to 1880-81..... | 11 | \$ 13,600.00 | \$ 149,600.00         |
| 1881-82.....            | 1  |              | 66,800.00             |
| 1882-83 to 1890-91..... | 9  | 120,000.00   | 1,080,000.00          |
| 1891-92 to 1892-93..... | 2  | 122,004.80   | 244,009.60            |
| 1893-94.....            | 1  |              | 137,002.40            |
| 1894-95 to 1895-96..... | 2  | 152,000.00   | 304,000.00            |
| 1896-97 to 1900-01..... | 5  | 154,740.00   | 773,700.00            |
| 1901-02 to 1902-03..... | 2  | 204,168.80   | 408,337.60            |
| 1903-04.....            | 1  |              | 242,084.40            |
| 1904-05 to 1905-06..... | 2  | 280,000.00   | 560,000.00            |
| 1906-07 to 1907-08..... | 2  | 292,550.40   | 585,100.80            |
| 1908-09.....            | 1  |              | 330,925.20            |
| 1909-10 to 1910-11..... | 2  | 369,300.00   | 738,600.00            |
| 1911-12.....            | 1  |              | 364,695.20            |
| 1912-13.....            | 1  |              | 369,100.00            |
| 1913-14.....            | 1  |              | 397,458.40            |
| 1914-15 to 1915-16..... | 2  | 425,612.80   | 851,225.60            |
| 1916-17 to 1917-18..... | 2  | 443,088.00   | 886,176.00            |
| 1918-19.....            | 1  |              | 466,744.00            |
| 1919-20 to 1921-22..... | 3  | 490,400.00   | 1,471,200.00          |
| 1922-23.....            | 1  |              | 485,788.80            |
| 1923-24.....            | 1  |              | 504,527.20            |
| 1924-25 to 1925-26..... | 2  | 520,960.00   | 1,041,920.00          |
|                         |    |              | <hr/> \$12,458,995.20 |

**Special Grants.**

|  |    |            |                     |
|--|----|------------|---------------------|
| 1875-76 to 1878-79.....                  | 4  | 26,746.96  | 106,987.84          |
| 1879-80 to 1880-81.....                  | 2  | 42,400.00  | 84,800.00           |
| 1881-82.....                             | 1  |            | 43,700.00           |
| 1882-83 to 1884-85.....                  | 3  | 45,000.00  | 135,000.00          |
| 1885-86 to 1911-12.....                  | 27 | 100,000.00 | 2,700,000.00        |
| 1912-13 (including arrears from 1908-12) |    |            | 2,703,226.27        |
| 1913-14.....                             | 1  |            | 509,868.97          |
| 1914-15 to 1925-26.....                  | 12 | 409,007.18 | 4,908,086.16        |
|  |    |            | <hr/> 11,191,669.24 |

**Interest on Debt Allowances.**

|                         |    |            |                       |
|-------------------------|----|------------|-----------------------|
| 1870-71 to 1872-73..... | 3  | 23,604.50  | 70,813.50             |
| 1873-74.....            | 1  |            | 26,768.03             |
| 1874-75.....            | 1  |            | 21,812.38             |
| 1875-76.....            | 1  |            | 20,625.30             |
| 1876-77 to 1880-81..... | 5  | 19,653.04  | 98,265.20             |
| 1881-82.....            | 1  |            | 12,570.86             |
| 1882-83 to 1883-84..... | 2  | 12,153.04  | 24,306.08             |
| 1884-85.....            | 1  |            | 14,858.69             |
| 1885-86.....            | 1  |            | 173,075.07            |
| 1886-87.....            | 1  |            | 165,860.98            |
| 1887-88.....            | 1  |            | 165,595.36            |
| 1888-89 to 1897-98..... | 10 | 165,595.74 | 1,655,957.40          |
| 1898-99 to 1911-12..... | 14 | 178,947.06 | 2,505,258.84          |
| 1912-13 to 1925-26..... | 14 | 381,584.18 | 5,342,178.52          |
|                         |    |            | <hr/> 10,297,946.21   |
|                         |    |            | <hr/> \$39,163,610.65 |

**SASKATCHEWAN.**

|   |                      |
|---|----------------------|
| By subsidy on population of 828,600 at 80c. per head (Estimates Jan. 1,/24)                                     | \$662,880.00         |
| By allowance B. N. A. Act, 1907.....  | 220,000.00           |
| By interest on Debt allowance, 5% on \$8,107,500.....   | 405,375.00           |
| By allowance in lieu of public lands, population between 400,000 and 800,000,<br>4-5 Ed. 7, C. 42, Sec. 20..... | 562,500.00           |
|   | <hr/> \$1,850,755.00 |

**History of Readjustment.**

|  |                      |
|--|----------------------|
| Allowance for government (1905).....                                     | 50,000.00            |
| Subsidy.....   | 200,000.00           |
| Interest on debt allowance.....  | 405,375.00           |
| Public Lands allowance.....  | 375,000.00           |
| Census, 1906.....  | 6,210.40             |
| B. N. A. Act, 1907, allowance for government.....                        | 130,000.00           |
| Readjustment, 1909.....  | 63,389.60            |
| Census, 1911 (allowance for government.....                              | \$10,000.00          |
| Allowance for public lands.....  | 187,500.00           |
| Subsidy adjustment.....  | 120,713.60           |
|  | <hr/> 318,213.60     |
| Re-adjustment 1913.....  | 3,632.00             |
| Allowance for government (additional for population over 800,000) 1924.. | 30,000.00            |
| Subsidy readjustment, 1914.....  | 79,427.20            |
| Subsidy readjustment, 1915.....  | 79,427.20            |
| Subsidy readjustment, 1920.....  | 42,400.00            |
| Subsidy readjustment, 1922.....  | 10,808.00            |
| Subsidy readjustment, 1924.....  | 56,872.00            |
|  | <hr/> \$1,850,755.00 |

**Spécial Allowances:**

|  |            |
|--|------------|
| Building allowance of \$93,750.00 for 5 years from 1st September, 1905,<br>under 4-5 Edw .VII, Cap. 3, sec. 19 (2) 1905—total payment..... | 468,750.00 |
|--|------------|

**School Lands**

|   |                       |
|---|-----------------------|
| 835,289 acres sold up to 1926 at \$17.76 per acre.....        | \$14,834,655.86       |
| 7,585,811 acres unsold (1919 estimated returns of value)..... | 62,315,644.00         |
|   | <hr/> \$77,150,299.86 |
| Total, 8,421,100 acres, valued at.....                        | \$10,384,483.21       |
| Net receipts to province from school lands to May, 1926.....  |                       |

**Payments on Account of Subsidies.**

| <b>Fiscal<br/>Years</b>              | <b>No. of<br/>Years</b> | <b>Annual<br/>Rate</b> | <b>Amount</b> | <b>Total</b>   |
|--------------------------------------|-------------------------|------------------------|---------------|----------------|
| <b>Allowances for<br/>Government</b> |                         |                        |               |                |
| 1905-06.....                         | (part year              | \$50,000.00            | \$41,666.67   |                |
| 1906-07.....                         | 1                       |                        | 50,000.00     |                |
| 1907-08 to 1910-11.....              | 4                       | 180,000.00             | 720,000.00    |                |
| 1911-12 to 1922-23.....              | 12                      | 190,000.00             | 2,280,000.00  |                |
| 1923-24.....                         | 1                       |                        | 205,000.00    |                |
| 1924-25 to 1925-26.....              | 2                       | 220,000.00             | 440,000.00    |                |
|                                      |                         |                        | <hr/>         | \$3,736,666.67 |

**Allowances per head of Population.**

|                         |   |            |              |                |
|-------------------------|---|------------|--------------|----------------|
| 1905-06.....            | 1 |            | \$200,000.00 |                |
| 1906-07.....            | 1 |            | 171,842.00   |                |
| 1907-08.....            | 1 |            | 206,210.40   |                |
| 1908-09.....            | 1 |            | 237,905.20   |                |
| 1909-10 to 1910-11..... | 2 | 269,600.00 | 539,200.00   |                |
| 1911-12.....            | 1 |            | 390,313.60   |                |
| 1912-13.....            | 1 |            | 397,577.60   |                |
| 1913-14.....            | 1 |            | 473,372.80   |                |
| 1914-15 to 1917-18..... | 4 | 552,800.00 | 2,211,200.00 |                |
| 1918-19.....            | 1 |            | 522,202.00   |                |
| 1919-20 to 1920-21..... | 2 | 595,200.00 | 1,190,400.00 |                |
| 1921-22 to 1922-23..... | 2 | 606,008.00 | 1,212,016.00 |                |
| 1923-24.....            | 1 |            | 634,444.00   |                |
| 1924-25 to 1925-26..... | 2 | 662,880.00 | 1,325,760.00 |                |
|                         |   |            |              | <hr/>          |
|                         |   |            |              | \$9,712,443.60 |

**Special Grants.**

|                         |    |            |                |               |
|-------------------------|----|------------|----------------|---------------|
| 1905-06 to 1909-10..... | 5  | 468,750.00 | \$2,343,750.00 |               |
| 1910-11.....            | 1  |            | 375,000.00     |               |
| 1911-12 to 1925-26..... | 15 | 562,500.00 | 8,437,500.00   |               |
|                         |    |            |                | <hr/>         |
|                         |    |            |                | 11,156,250.00 |

**Interest on Debt Allowances.**

|                         |    |            |  |                 |
|-------------------------|----|------------|--|-----------------|
| 1905-06 to 1925-26..... | 21 | 405,375.00 |  | 8,512,875.00    |
|                         |    |            |  | <hr/>           |
|                         |    |            |  | \$33,118,235.27 |

**ALBERTA.**

|   |                |
|---|----------------|
| By subsidy on population of 645,700 (Est. Jan. 1, 1924) at 80 c. per head | \$516,560.00   |
| B allowance B. N. A. Act, 1907.....                                       | 190,000.00     |
| B interest on debt allowance 5% on \$8,107,500.....                       | 405,375.00     |
| By allowance in lieu of lands, census 1911, population over 400,000.....  | 562,500.00     |
|   | <hr/>          |
|   | \$1,674,435.00 |

**History of Readjustment.**

|  |                |
|--|----------------|
| Allowance for government, 1905.....  | \$50,000.00    |
| Subsidy.....   | 200,000.00     |
| Interest on debt allowance.....  | 405,375.00     |
| Public lands allowance.....  | 375,000.00     |
| B. N. A. Act, 1907.....  | 130,000.00     |
| Readjustment, 1909.....  | 12,693.80      |
| Census, 1911.....  | 87,036.80      |
| Readjustment, 1914.....  | 65,734.80      |
| Readjustment, 1915.....  | 65,734.80      |
| Readjustment, 1920.....  | 32,000.00      |
| Readjustment, 1922.....  | 7,563.20       |
| Readjustment, 1924.....  | 45,796.80      |
| Increased public lands allowance (census 1911, population over 400,000)..< | 187,500.00     |
| Allowance for government (additional for over 400,000).....                | 10,000.00      |
|  | <hr/>          |
|  | \$1,674,435.00 |



**Special Allowances.**

Yearly building allowance of \$93,750 for 5 years from 1st September, 1905,  
under 4-5 Edw. VII Cap. 3, Sec. 19 (2) 1905: total payment..... \$ 468,750.00

**School Lands.**

558,271 acres sold up to 1926 at \$14.02 per acre..... \$ 7,826,970.26  
7,240,329 acres unsold (1919 estimated returns of value)..... 60,140,052.00  
Total, 7,798,600 acres, valued at..... 67,967,022.26  
Net receipts to province from school lands to May, 1926..... 6,724,069.73

**Payments on Account of Subsidy.**

| <b>Fiscal<br/>Years</b>                      | <b>No. of<br/>Years</b> | <b>Annual<br/>Rate</b> | <b>Amount</b> | <b>Total</b>    |
|--|-------------------------|------------------------|---------------|-----------------|
| <b>Allowances for<br/>Government</b>         |                         |                        |               |                 |
| 1905-06.....                                 | (part year)             | 50,000.00              | 41,666.67     |                 |
| 1906-07.....                                 | 1                       |                        | 50,000.00     |                 |
| 1907-08 to 1912-13.....                      | 6                       | 180,000.00             | 1,080,000.00  |                 |
| 1913-14.....                                 | 1                       |                        | 185,000.00    |                 |
| 1914-15 to 1925-26.....                      | 12                      | 190,000.00             | 2,280,000.00  |                 |
|  |                         |                        |               | \$3,636,666.67  |
| <b>Allowances per head<br/>of population</b> |                         |                        |               |                 |
| 1905-06.....                                 | (part year)             |                        | 166,666.67    |                 |
| 1906-07 to 1907-08.....                      | 2                       | 200,000.00             | 400,000.00    |                 |
| 1908-09.....                                 | 1                       |                        | 206,346.80    |                 |
| 1909-10 to 1910-11.....                      | 2                       | 212,693.60             | 425,387.20    |                 |
| 1911-12.....                                 | 1                       |                        | 300,347.20    |                 |
| 1912-13.....                                 | 1                       |                        | 299,113.60    |                 |
| 1913-14.....                                 | 1                       |                        | 365,465.20    |                 |
| 1914-15 to 1917-18.....                      | 4                       | 431,200.00             | 1,724,800.00  |                 |
| 1918-19.....                                 | 1                       |                        | 396,230.00    |                 |
| 1919-20 to 1920-21.....                      | 2                       | 463,200.00             | 926,400.00    |                 |
| 1921-22 to 1922-23.....                      | 2                       | 470,763.20             | 941,526.40    |                 |
| 1923-24.....                                 | 1                       |                        | 483,661.60    |                 |
| 1924-25 to 1925-26.....                      | 2                       | 516,560.00             | 1,033,120.00  |                 |
|  |                         |                        |               | 7,679,064.67    |
| <b>Special Grants</b>                        |                         |                        |               |                 |
| 1905-06 to 1906-07.....                      | 2                       | 375,000.00             | 750,000.00    |                 |
| 1907-08 to 1911-12.....                      | 5                       | 468,750.00             | 2,343,750.00  |                 |
| 1912-13.....                                 | 1                       |                        | 375,000.00    |                 |
| 1913-14.....                                 | 1                       |                        | 468,750.00    |                 |
| 1914-15 to 1925-26.....                      | 12                      | 562,500.00             | 6,750,000.00  |                 |
|  |                         |                        |               | 10,687,500.00   |
| <b>Interest on Debt Allowances.</b>          |                         |                        |               |                 |
| 1905-06 to 1925-26.....                      | 21                      | 405,375.00             |               | 8,512,875.00    |
|  |                         |                        |               | \$30,516,106.34 |

**BRITISH COLUMBIA.**

|   |              |
|---|--------------|
| By subsidy on population of 524,582 at 80c. per head (census 1921).....   | \$419,665.60 |
| By allowance, B.N.A. Act, 1907.....                                       | 190,000.00   |
| By allowance in lieu of C.P.R. lands authorized by o/c Windsor, May 16/71 | 100,000.00   |
| By interest on debt allowances, 5% on \$583,021.40.....                   | 29,151.00    |

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\$738,816.66

**History of Readjustment.**

|                            |              |
|----------------------------|--------------|
| First subsidy, (1871)..... | \$207,995.67 |
| 47 Vic. C. 4, 1884.....    | 4,155.39     |
| Census, 1891.....          | 30,538.40    |
| Census, 1901.....          | 64,387.20    |
| B. N. A. Act, 1907.....    | 125,000.00   |
| Census, 1911.....          | 191,704.00   |
| Re-adjustment, 1913.....   | 9,354.40     |
| Census, 1921.....          | 105,681.60   |

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\$738,816.66

Special allowance, 1907-1917, at \$100,000 a year.

**Payments on Account of Subsidy.**

| <b>Fiscal<br/>Years</b>              | <b>No. of<br/>Years</b> | <b>Annual<br/>Rate</b> | <b>Amount</b> | <b>Total</b>   |
|--------------------------------------|-------------------------|------------------------|---------------|----------------|
| <b>Allowances for<br/>Government</b> |                         |                        |               |                |
| 1871-72 to 1906-07.....              | 36                      | 35,000.00              | 1,260,000.00  |                |
| 1907-08 to 1910-11.....              | 4                       | 150,000.00             | 600,000.00    |                |
| 1911-12 to 1920-21.....              | 10                      | 180,000.00             | 1,800,000.00  |                |
| 1921-22 to 1925-26.....              | 5                       | 190,000.00             | 950,000.00    |                |
|                                      |                         |                        | <hr/>         | \$4,610,000.00 |

**Allowances per head  
of population**

|                         |    |            |              |              |
|-------------------------|----|------------|--------------|--------------|
| 1871-72 to 1890-91..... | 20 | 48,000.00  | 960,000.00   |              |
| 1891-92 to 1900-01..... | 10 | 78,538.40  | 785,384.00   |              |
| 1901-02 to 1910-11..... | 10 | 142,925.60 | 1,429,256.00 |              |
| 1911-12 to 1920-21..... | 10 | 313,984.00 | 3,139,840.00 |              |
| 1921-22 to 1925-26..... | 5  | 419,665.60 | 2,098,328.00 |              |
|                         |    |            | <hr/>        | 8,412,808.00 |

**Special Grants.**

|                         |    |            |              |              |
|-------------------------|----|------------|--------------|--------------|
| 1871-72 to 1906-07..... | 36 | 100,000.00 | 3,600,000.00 |              |
| 1907-08 to 1916-17..... | 10 | 200,000.00 | 2,000,000.00 |              |
| 1917-18 to 1925-26..... | 9  | 100,000.00 | 900,000.00   |              |
|                         |    |            | <hr/>        | 6,500,000.00 |

## Interest on Debt Allowances.

|                         |    |           |              |                 |
|-------------------------|----|-----------|--------------|-----------------|
| 1871-72.....            | 1  |           | 31,000.00    |                 |
| 1872-73.....            | 1  |           | 33,289.75    |                 |
| 1873-74.....            | 1  |           | 47,293.95    |                 |
| 1874-75.....            | 1  |           | 42,049.65    |                 |
| 1875-76.....            | 1  |           | 35,247.29    |                 |
| 1876-77.....            | 1  |           | 25,216.86    |                 |
| 1877-78 to 1878-79..... | 2  | 25,093.56 | 50,187.12    |                 |
| 1879-80.....            | 1  |           | 25,086.23    |                 |
| 1880-81.....            | 1  |           | 25,019.12    |                 |
| 1881-82.....            | 1  |           | 24,366.33    |                 |
| 1882-83 to 1883-84..... | 2  | 24,995.66 | 49,991.32    |                 |
| 1884-85 to 1925-26..... | 42 | 29,151.06 | 1,224,344.52 |                 |
|                         |    |           |              | 1,613,092.14    |
|                         |    |           |              | \$21,135,900.14 |

## SUMMARY OF SUBSIDY READJUSTMENTS.

An examination of the tables previously given, showing subsidy readjustments and payments on account thereof, indicates the special consideration which the provinces of Canada have from time to time received from the Dominion Government and Parliament. It will be advantageous to summarize these:

## Ontario and Quebec.

In 1873 and 1884, as set forth in the statement of debt allowances, adjustments were made for Ontario and Quebec. The other provinces necessarily received corresponding benefits. In 1907 the per capita grant was altered by making the rate 80 cents applicable to population at each recurring decennial period, up to 2,500,000 and 60c. per head on such number of the population as exceeded that amount. At Confederation, the amount to be received had been fixed according to the census population of 1861, so that for forty years the payment to Quebec had been \$889,252.80 per year and to Ontario \$1,116,872.80. The result of this change in the per capita allowance was an immediate annual increase to Quebec of \$429,866.66 and to Ontario of \$629,484.80. Because of this readjustment, Quebec, instead of getting a per capita allowance in 1926 of \$889,252.80, as agreed upon by the terms of Confederation, receives an allowance of \$1,888,959.20, an increase per year of practically \$1,000,000. Ontario, instead of receiving \$1,116,872.80, its allowance in 1867, now enjoys as a result of the alteration of 1907, \$2,260,197.20, an increase of \$1,143,325. The allowance for government was also made \$240,000 per year, an annual increase to Quebec of \$170,000 and to Ontario of \$160,000. In addition to this, in 1898 and 1912 the boundaries of Quebec were extended, and the boundaries of Ontario also, in 1888 and 1912, as pointed out elsewhere. The total annual increases to these two provinces since Confederation are shown as follows:

|            | Quebec         | Ontario         |
|------------|----------------|-----------------|
| 1873 ..... | †\$602,668.73  | †\$1,593,754.70 |
| 1884 ..... | 127,460.68     | 142,414.48      |
| 1907 ..... | 1,169,706.40   | 1,303,324.40    |
|            | <hr/>          | <hr/>           |
|            | \$1,899,835.81 | \$3,039,493.58  |

†Previously deducted from subsidy.



### Manitoba.

The province of Manitoba, on being formed into a province, was given a per capita allowance for debt on the same basis as the original partners to Confederation.

By Chapter 5, Acts of 1882, a readjustment enlarging the amount payable for the support of government and legislature increased the estimated population, on which the per capita allowance was based, to 150,000 (actual population, 1881, 62,660) and increased the indemnity in lieu of public lands to \$45,000.

In 1884 the per capita allowance was again increased, as in the other provinces.

In 1885, as a settlement of claims made upon the Dominion:

- (1) the swamp lands were returned to the Province—
- (2) the University of Manitoba was endowed with 150,000 acres for its maintenance;
- (3) the indemnity for want of public lands was increased from \$45,000 to \$100,000;
- (4) the annual per capita allowance was made subject to increase every two and one-half years according to census or estimate of population;
- (5) the debt amount was increased, and an advance of \$150,000 was allowed for public buildings.

In 1912, by Chapter 32 of the Acts of that year—

- (1) the boundaries of the province were extended to Hudson Bay;
- (2) the interest on the debt allowance was increased from \$178,947 to \$381,584, this increase to be effective as and from the 1st of July, 1908;
- (3) the public lands and natural resources were returned to the Dominion, and in lieu thereof as a source of revenue the province was paid, on the basis of the population as ascertained by each quinquennial census, the sum of \$562,500, subject to certain deductions for lands alienated, this amount to be retroactive to 1908, and to increase with increase of population. This, with interest, made an adjustment in 1912 of \$2,193,357.31;
- (4) an allowance was made to assist in providing for the construction of public buildings of \$201,723.57, bringing the total payment to Manitoba for Government public buildings up to \$468,750.

As the population of the province had not reached 400,000 in 1907, Manitoba had not suffered any deduction in its per capita allowance, but obtained the special increase of \$130,000 for government. The net receipts from school lands to the province to date, as shown elsewhere, have been \$5,596,575.

### Saskatchewan and Alberta,

In the Acts (1905) creating the provinces of Saskatchewan and Alberta the per capita grant was made subject to change every two and one-half years, according to increase in population, as in Manitoba. The annual allowances for government have increased from \$50,000 per year to \$220,000 for Saskatchewan and \$190,000 for Alberta. As the provinces were not in debt they were to receive \$405,375 as interest on debt allowance; in lieu of public lands they received, according to the population as ascertained by each quinquennial census, \$562,500, with an additional allowance when population exceeded 800,000. They also were given allowances for the construction of public buildings of \$468,750, payable in five years. The net receipts from school lands to these provinces to date, as shown elsewhere, have been: Saskatchewan, \$10,364,483; Alberta, \$6,724,070.

### British Columbia.

The special allowances to British Columbia were—in 1871, in lieu of Canadian Pacific Railway lands, an annual allowance of \$100,000; in 1907, a special additional grant of \$100,000 for ten years. The population not having reached 400,000 in 1907, the province did not suffer by reason of the limitation of its per capita allowance by the British North America Act.

## THE MARITIME PROVINCES.

### Prince Edward Island.

The per capita allowance of Prince Edward Island is based on a maximum population of 109,078 (census 1891). This was confirmed by section 8, British North America Act, 1907. An allowance of \$45,000 in lieu of lands was given in 1873. This, however, is subject to annual interest deduction of \$39,120 on account of sums advanced for the purchase of lands from large proprietors.

Special additional allowances were given to the Island as follows:—in 1887, \$20,000<sup>0</sup> annually; in 1901, \$30,000 annually, because of the alleged non-fulfilment of the terms<sup>s</sup> of union in respect to the maintenance of an efficient steamship service between the Island and the mainland; and in 1912, \$100,000 annually.

### New Brunswick.

On entering Confederation, New Brunswick received a special allowance, in addition to its ordinary subsidies, of \$63,000 for ten years (section 119, B.N.A. Act.)

Its debt allowance was increased in 1873 and 1884, to equalize increases made to Ontario and Quebec.

An allowance of \$150,000 per year, to compensate for the present and prospective loss which the province would sustain by the total repeal of the export duty on lumber and the abandonment of its right to impose such duty, was granted in 1873 (Chapter 41). The tax on lumber at that time amounted to \$65,000.

New Brunswick has not suffered any deduction in per capita allowance because of fixed limit to population of 400,000, as its population has never reached that figure.

### Nova Scotia.

In contrast with the special treatment given other provinces, reference to the foregoing tables will show that Nova Scotia has received no special allowances at any given period in its history since Confederation which were not the equivalent of allowances granted to one or more of the other provinces.

The special allowance given by "Better Terms" in 1869 of \$82,698 for ten years was the equivalent per capita of the special allowance given New Brunswick of \$63,000 by the terms of Confederation.

The debt allowance finally awarded Nova Scotia as a result of "Better Terms" negotiations was the equivalent to the debt allowance given New Brunswick at Confederation.

The increased debt allowance given Nova Scotia in 1873 was secured because it was found that the actual debt of the old province of Canada (Ontario and Quebec) exceeded \$62,500,000 by \$10,506,088, upon which from Confederation interest had been charged and deducted from the subsidies of these provinces. It was now deemed expedient by Parliament to relieve these provinces of this charge. The other provinces thus received a corresponding increased subsidy on debt allowance.

In 1884 the province of Ontario and Quebec were recouped for deductions made from their subsidy allowances for the years between 1867 and 1873, and it was deemed expedient that the allowance of 1873 should be made effective as and from the 1st of July, 1867, so the other provinces shared like increases in their debt allowances.

In 1881, the population of Nova Scotia having reached 400,000, the per capita allowance was limited by the British North America Act to 80c. per head, a total of \$320,000. This payment continued for 26 years, though the population in the meantime had increased, until the amendment to the B. N. A. Act, 1907, when the per capita subsidy was thereafter based on the population as revealed by each recurring decennial census. As a result of this limitation Nova Scotia was denied the per capita increase, amounting over these years to \$1,013,699, and, if the per capita allowance had been increased every two and one-half years, as in the western provinces, this loss would have been considerably increased. In this respect Nova Scotia was not affected differently from Ontario and Quebec, but did differ from all the other provinces of Canada, for at 1907 none of them had reached the maximum population of 400,000 at which the subsidy became limited.

In this 1907 readjustment Nova Scotia received an additional allowance for government of \$130,000 and an increase according to population of \$47,659.20.

It is worth while contrasting these annual increases as now effective for Nova Scotia with those that were awarded to Ontario and Quebec at the same periods:

|            |              |
|------------|--------------|
| 1873.....  | \$13,137.12  |
| 1884.....  | 39,668.44    |
| 1907.....  | 229,069.60   |
| Total..... | \$281,875.16 |

This demonstrates that a per capita increase, while, mayhap, sufficient for the larger provinces, does not produce corresponding advantages to the smaller provinces. It was asserted in 1885 that to disturb the basis of the grants "would destroy the whole financial basis of Confederation." It is time, then, that the basis was destroyed, that Confederation itself may not fall.

#### PER CAPITA ALLOWANCES YIELD INSUFFICIENT REVENUE.

Resolution number 64 adopted at the Quebec Conference in 1864 stated that "in consideration of the transfer to the general parliament of the powers of taxation, an annual grant in aid of each province shall be made, equal to 80c per head of population, as shown by the census of 1861, the population of Newfoundland being estimated at 130,000; such aid shall be in full settlement of all future demands upon the general government for local purposes, and shall be paid half-yearly in advance to each province."

In 1907, Sir Wilfrid Laurier impressed upon Parliament in moving the address for provincial subsidy increases what financial consideration was offered to the provinces to induce them to enter Confederation. He said:

"Lower Canada would not have entered confederation if, as a consequence, she had been obliged to resort to direct taxation to levy the revenues necessary to carry on her domestic affairs. What was true of Lower Canada was equally true of the maritime provinces. Nova Scotia, New Brunswick, Prince Edward Island, would not have agreed to enter Confederation if, as a consequence, direct taxation had to be resorted to. . . . Ever since the British provinces of North America have been granted representative government, the only mode, so far as my information goes, by which they carry on their domestic affairs, their municipal government and their legislatures, has been by means of customs excise duties. Therefore, it is not to be wondered at, that when the provinces represented at that conference agreed to surrender to the central government the exclusive power of taxation by way of customs and excise, they should at the same time have stipulated as a condition precedent, that a certain portion of the revenue thus collected should be returned to them, and a portion sufficient to permit them, without having recourse to direct taxation, to carry on their provincial affairs. This is the reason of the enactment which we have before us in the 64th resolution of the Quebec conference, to which I have just called the attention of the House; it was one of the many compromises



which had to be made in order to render Confederation possible, and without which probably Confederation would have remained but a dream." *Debates, House of Commons, Canada, 1906-07, Vol. 111 p. 5292.*

The Honourable John Hamilton Gray a delegate from New Brunswick to the Conference of 1864, in his narration of the events which took place at that conference, gives a graphic description of the financial difficulties encountered until by mutual concession a way out of the deadlock was discovered:

"Concurrently with the consideration of these questions, the adjustment of the financial burdens was also under discussion. The simplest and the shortest mode would have been at once to determine that each province should by its own direct taxation bear the burden of its local expenditure and wants, and that the general revenues should all be distributed solely for general purposes. But this was simply out of the question. The system existing in Upper Canada of governing by municipalities, and providing for local wants by local taxation, though fully understood had never been adopted by the people of the Maritime Provinces, Bridges, roads, schools, wharves, piers, by-roads, internal improvements and communications of all kinds, in addition to the legislative, fiscal, postal, and executive expenses of every kind, were paid out of the general revenues, arising from customs, sales of crown lands, or other public revenues. . . . It was absurd, therefore, to suppose that the delegates from those Provinces could consent to any propositions for union that did not make adequate provisions for meeting the existing wants and contributions to which their people had been accustomed. It was equally hard to make the representatives of the people of Upper Canada understand that that was right. In vain was argument used. It amounted to nothing. Unless some compromise could be effected, the discussion about union might as well cease. Subsidies were proposed, the expenses of each Local Government were in calculation, reduced to the smallest figure—the General Government assumed the burden of every expenditure that could possibly be considered of a general character—but still, as the distribution was to be by population, the province of Upper Canada would receive what it did not want, while the others did not get what they did want. Agreement seemed hopeless, and on or about the tenth morning after the Convention met, the conviction was general that it must break up without coming to any conclusion. The terms of mutual concession and demand had been drawn to their extremist tension, and silence was all around. At last a proposition was made that the Convention should adjourn for the day, and that in the meantime, the Finance Ministers of the several provinces should meet, discuss the matter among themselves, and see if they could not agree upon something. On the following morning they reported the conclusions at which they had arrived. These with some modifications, after discussion, were ultimately adopted by the Convention, reduced to resolutions, and the 'financial crisis' passed away."

The "financial crisis" passed at the conference, but it has remained a constant companion of the governments of the Maritime Provinces.

In 1867, taxation through customs and excise yielded the provinces \$11,580,968.25. In lieu thereof they received the grant mentioned previously, amounting in that year to \$2,472,448.80.

In 1925, the duties collected in Canada through customs and excise were \$146,750,361, of which the provinces received according to population \$7,205,854.80.

Thus, in 1867 the provinces received 21.3% of the taxation which was surrendered to the federal authorities, while in 1925 they received only 4.9%. It is impossible to determine accurately how much of the present customs and excise revenue comes exclusively from the four original partners of Confederation, but the nine provinces receive proportionately today less than one-fourth as much as did the four provinces entering Confederation in 1867.

The original compact did not provide for an increase in revenue to the provincial legislatures in proportion as the revenue of the central government increased, but undoubtedly such a basis of payment of subsidies would be fairer than the basis of population. Instead of keeping 78.7% of the revenue collected by indirect taxation, as in 1867, the Federal Government now retains 95.1%. The estimate, made prior to Confederation, that the sum of 80c per head would be sufficient to meet expenditures of the local governments in each province, has proved erroneous. The Fathers of Confederation had a very inadequate conception of the demands which sixty years of development would make upon the provinces.

### **Subsidies in the Australian Commonwealth.**

In 1901 the Commonwealth of Australia was proclaimed. By the Act of Union the right to collect customs and excise duties was, as in Canada, surrendered to the federal authorities by the individual states, but of the amounts levied and collected by the central government not more than one-quarter was to be retained by the commonwealth. The remaining three-quarters were to be paid to the states or used for the payment of interest on the debts of the several states assumed by the Commonwealth. This arrangement was to last for ten years. The federal parliament was also given power to grant aid to any state for any given period.

The powers of legislation in the Commonwealth of Australia and the Dominion of Canada are not radically different, the Commonwealth, as in Canada, retaining the residuum of power, and having assigned to it like powers to those given to the Dominion by section 91 of the British North America Act. We shall note how differently the governments of the states in Australia and of the provinces in Canada have been treated.

In 1910 the financial arrangement provided for in the original Constitution Act of Australia came to an end, and there was passed what is known as the Surplus Revenue Act, which provided that for a period of ten years from the first of July, 1910, and thereafter until parliament otherwise provided, there should be paid to each state by monthly instalments, or applied to the payment of interest on the debts of the state taken over by the Commonwealth, an annual sum amounting to twenty-five shillings (\$6.10) per head of its population. Western Australia, which, as a smaller state, evidently had difficulties in finance, was specially provided for in the same Act, and received an annual grant for ten years, or until parliament otherwise provided, of £250,000 (\$1,215,000), this sum being progressively diminished by £10,000 (\$48,600). And at the end of every year the treasurer of the Commonwealth was required to pay over to the several states in proportion to the number of their people all surplus revenue, if any, in his hands at the close of each financial year. No further provision having been made at the end of the ten-year period mentioned in the Act, it is still in force and the states enjoy the subsidies thereunder.

In 1924-1925 the Commonwealth collected from customs and excise £37,192,781 (\$180,756,915) and returned to the states out of this revenue £7,534,291 (\$36,616,654). The payments to the states represent the balance of the revenue collected in the several states after the necessary expenditures on Commonwealth services, and are the equivalent of twenty-five shillings per head of population.

Tasmania, with a population of 344,336 (1925), received in addition an annual instalment of £90,000 (\$437,400) for ten years, and when this was exhausted, 1921-1922, a special grant of £85,000 (\$413,100) was made; a similar grant has been made each year to date. Commencing with 1925-1926 this will be diminished annually until extinguished.

### **More Generous Treatment of Australian States.**

It is evident, therefore, that the states of the Commonwealth of Australia have been treated on a much more generous scale than have the provinces of Canada. Further, there

has been from time to time a specific recognition by the Commonwealth of the difficulties experienced by the smaller states in financing their local requirements to meet modern conditions, with the very satisfactory result that special grants have been given to them of varying amounts.

This has not been so in Canada. The resolution passed at the Interprovincial Conference in 1913 recites in the preamble the Dominion customs revenue and the provincial subsidies given in lieu thereof, and states that an additional subsidy equal to 10% of the customs and excise duties collected by Canada from year to year should be granted to the provinces in addition to all other subsidies to which they are entitled. So far as Nova Scotia is concerned this would, according to the method of distribution proposed, and on the basis of 1925 collections, yield approximately the sum of \$900,000, and for all the provinces, \$14,675,000.

That the provinces gave up to the central government their customs revenue for too small an equivalent in subsidy may also be judged by reference to the situation in the Dominion of Newfoundland. In 1869 that Dominion entered into negotiations for union. It had a population of 146,536 and a customs revenue of \$760,000. In 1925 its customs duties realized in revenue \$6,489,957. The population in the meantime had increased to 253,441, less than half that of Nova Scotia. The customs revenue in Newfoundland now represents about eight-elevenths of its total revenue. Nova Scotia gave up her powers of indirect taxation to Canada and the return received by way of subsidy from this source equals only about one-thirteenth of its consolidated revenue and three-one-hundredths of the total sum which the Dominion collects from the people of Canada by these methods.

### **No Finality in Subsidy Claims.**

When provincial claims have been made upon the Dominion, the local governments have always been met with the statement that the terms of the British North America Act were unalterable, that the grants already given were "in full settlement of all future demands" upon the general government for local purposes, and that, therefore, the claims should be refused. The Dominion Government and Parliament are now estopped from offering this argument of finality. The British North America Act has been amended from time to time; better terms have been accorded to various provinces and subsidy increases given; in 1907 the B. N. A. Act was amended, increasing the allowances to all the provinces and changing the basis of the per capita allowance, the same to be payable according to population as shown by each decennial census. British Columbia, the three prairie provinces and Prince Edward Island have all received special treatment.

Sir Wilfrid Laurier and Hon. W. S. Fielding, Minister of Finance, stated in 1907 that there could be no finality in subsidy claims, and Sir Robert Borden, in addressing the conference of provincial premiers in 1913, saw no objection to the provinces coming every ten years to discuss their financial arrangements with Canada.

### **Generosity Pays.**

As has been shown, the central government of Australia listened to appeals from the several states. The constitution of Great Britain and Ireland was regarded by many as sacrosanct and unalterable, but, after years of turmoil and struggle, Ireland has a separate government, with wider powers than were ever conceived a quarter of a century ago. Yet the Empire has not fallen to pieces. If anything, these changes have worked for consolidation rather than dismemberment. Generosity has paid large dividends in other cases. Why should not the same spirit manifested towards the smaller provinces of Canada reap like returns?



# NOVA SCOTIA REVENUES AND EXPENDITURES.

The following tables, covering a five-year period prior to Confederation and the five years previous to 1925, give the Receipts and Expenditures of the Province for those periods as published in the Canada Year Book 1925:

## REVENUE IN NOVA SCOTIA, 1862-1866.

| Year   | Total<br>Revenue | Customs      | Mines      | Crown<br>Lands | Railway<br>Revenue | Sundries   |
|--------|------------------|--------------|------------|----------------|--------------------|------------|
| 1862   | 1,270,817.66     | 850,523.14   | 58,065.02  | 15,123.04      | 132,777.77         | 214,328.69 |
| 1863   | 1,236,219.62     | 876,487.68   | 53,278.85  | 19,377.12      | 144,247.05         | 142,828.92 |
| 1864   | 1,074,172.83     | 715,882.54   | 61,164.66  | 26,895.17      | 118,616.05         | 151,614.41 |
| 9 mos. |                  |              |            |                |                    |            |
| 1865   | 1,506,704.52     | 1,061,509.92 | 73,350.37  | 44,229.11      | 181,789.71         | 145,825.41 |
| 1866   | 1,857,247.71     | 1,235,887.84 | 76,463.01  | 43,407.08      | 257,629.44         | 243,860.34 |
|        | 6,945,162.34     | 4,740,291.12 | 322,321.91 | 149,031.52     | 835,060.02         | 898,457.77 |
|        |                  | 68.3%        | 4.6%       | 2.2%           | 12%                | 12.9%      |

## REVENUE IN NOVA SCOTIA, 1920-1924.

| Year | Total<br>Revenue | Dominion<br>Government<br>Subsidies | Crown<br>Lands | Mines     | Forests<br>and<br>Game | Fees<br>and<br>Fines | Taxation  | Education,<br>and<br>Charities, etc. | Interest  | Miscel-<br>laneous |
|------|------------------|-------------------------------------|----------------|-----------|------------------------|----------------------|-----------|--------------------------------------|-----------|--------------------|
| 1920 | 3,801,016        | 636,667                             | 52,878         | 690,518   | 4,843                  | 206,512              | 993,886   | 610,878                              | 209,866   | 394,968            |
| 1921 | 4,586,840        | 636,667                             | 42,958         | 635,577   | 8,466                  | 165,263              | 1,359,044 | 607,278                              | 160,522   | 971,065            |
| 1922 | 4,791,208        | 674,466                             | 41,341         | 548,318   | 34,514                 | 231,789              | 1,582,948 | 612,144                              | 336,209   | 729,479            |
| 1923 | 5,317,335        | 661,866                             | 20,481         | 729,469   | 26,575                 | 231,340              | 1,961,890 | 640,648                              | 296,465   | 748,601            |
| 1924 | 5,461,383        | 661,866                             | 21,896         | 747,597   | 26,374                 | 293,853              | 1,949,501 | 661,700                              | 363,369   | 735,227            |
|      | 23,957,782       | 3,271,532                           | 179,554        | 3,351,479 | 100,772                | 1,128,757            | 7,847,269 | 3,132,648                            | 1,366,431 | 3,579,340          |
|      |                  | 13.6%                               | 0.7%           | 14%       | 0.4%                   | 4.7%                 | 32.8%     | 13.1%                                | 5.7%      | 15%                |

## EXPENDITURE IN NOVA SCOTIA, 1862-1866.

| Year   | Total        |            |              |              |              |
|--------|--------------|------------|--------------|--------------|--------------|
|        | Expenditure  | Education  | Railways     | Roads        | Agriculture  |
| 1862   | 1,132,756.30 | 66,422.18  | 343,269.16   | 112,665.52   | 1,940.00     |
| 1863   | 1,148,357.41 | 66,607.78  | 378,767.92   | 137,111.80   | 5,671.71     |
| 1864   | 949,767.54   | 38,735.15  | 152,832.55   | 197,939.63   | 2,613.75     |
| 9 mos. |              |            |              |              |              |
| 1865   | 1,508,922.51 | 98,033.96  | 443,646.50   | 301,961.89   | 5,009.54     |
| 1866   | 1,961,348.28 | 155,780.62 | 495,685.01   | 280,964.22   | 28,000.00    |
|        | 6,701,152.04 | 425,579.69 | 1,814,201.14 | 1,030,643.06 | 43,235.00    |
|        |              | 6.3%       | 27.1%        | 15.4%        | 0.6%         |
|        |              |            |              |              | 3,387,493.15 |
|        |              |            |              |              | 50.6%        |

## EXPENDITURE IN NOVA SCOTIA, 1920-1924.

| Year | Total<br>Expenditure | Government<br>and<br>Legislation | Mines   | Lands,<br>Forests &<br>Game | Public Works | Education | Health, Hos-<br>pitals, Char-<br>ities, Correc-<br>tive Insti-<br>tution | Agriculture<br>and<br>Colonization | Interest  | Sinking<br>Funds | Miscella-<br>neous |
|------|----------------------|----------------------------------|---------|-----------------------------|--------------|-----------|--|------------------------------------|-----------|------------------|--------------------|
|      |                      |                                  |         |                             |              |           |  |                                    |           |                  |                    |
| 1920 | 3,916,848            | 358,320                          | 33,442  | 4,696                       | 1,134,696    | 610,870   | 784,434  | 62,546                             | 616,643   | 103,490          | 207,711            |
| 1921 | 4,678,146            | 417,350                          | 42,129  | 3,121                       | 1,123,933    | 776,044   | 881,439  | 92,384                             | 861,564   | 267,358          | 212,824            |
| 1922 | 4,791,998            | 387,656                          | 42,914  | 5,374                       | 1,089,965    | 721,528   | 864,372  | 66,016                             | 1,030,239 | 359,489          | 224,445            |
| 1923 | 5,229,178            | 383,960                          | 43,037  | 6,822                       | 1,082,899    | 780,823   | 857,029  | 66,702                             | 1,327,322 | 405,768          | 269,816            |
| 1924 | 5,579,525            | 432,782                          | 50,022  | 9,256                       | 1,396,843    | 791,291   | 815,446  | 76,791                             | 1,383,616 | 437,820          | 185,658            |
|      | 24,195,695           | 1,985,068                        | 211,544 | 29,269                      | 5,828,336    | 3,680,556 | 4,202,720  | 364,439                            | 5,219,384 | 1,573,925        | 1,100,454          |
|      |                      | 8.2%                             | 0.9%    | 0.1%                        | 24%          | 15.2%     | 17.4%  | 1.5%                               | 21.6%     | 6.5%             | 4.6%               |

It will be observed that the revenue from customs prior to Confederation formed 68.3% of Nova Scotia's total revenue. The proportion of our total revenue received from Dominion Government subsidies during the five years ended in 1924 was 13.6% of the whole; or, if we take into consideration that proportion of the subsidy which was given us in lieu of our yielding to the central government the powers of indirect taxation, 8.7%.

### Expenditures by Nova Scotia.

The expenditures of Nova Scotia for 1925, including sinking fund instalments, amounted to \$5,985,742.58, and the revenue to \$4,804,876.21, showing a deficit of \$1,180,866.37. The revenue for the fiscal year of 1926 is estimated at \$5,295,978.92. This will be insufficient to meet expenditure as estimated by \$1,155,023.90, and the deficit will be approximately this amount. Taken over a period of twenty years and including the current year, the deficits as between current revenue and expenditure total approximately \$3,500,000. The expenditures have grown owing to the increased requirements of public services and the demands upon the government during the last two decades have been greater than during any previous years since Confederation.

Nova Scotia has not been extravagant in its expenditures. A bulletin issued by the Canadian Tax Conference, 26th February, 1926, shows the provincial expenditures per capita to be as follows:

|                           |        |
|---------------------------|--------|
| Prince Edward Island..... | \$9.69 |
| Nova Scotia.....          | 9.40   |
| New Brunswick.....        | 10.39  |
| Quebec.....               | 9.32   |
| Ontario.....              | 13.51  |
| Manitoba.....             | 12.75  |
| Saskatchewan.....         | 12.80  |
| Alberta.....              | 19.23  |
| British Columbia.....     | 36.47  |

In education our per capita expenditure was \$1.36, the other provinces being from two to four times greater, with the exception of New Brunswick and Quebec.

### THE PUBLIC DEBT OF NOVA SCOTIA.

In addition to the annual expenditures out of revenue, large outlays have been made on capital account, the gross liabilities of the province at the 1st of August, 1926, being \$38,500,000. In the earlier years of Confederation construction of public works was paid for by withdrawal of money at the credit of the Province at Ottawa. After 1862 this practice was discontinued, and the steady increase in the public debt from that period was mainly due to subsidies granted for railway extensions and to large sums expended upon the construction of bridges, highways, and the erection of such public buildings, with their apparatus and equipment, as the College of Agriculture, the Technical College, the Victoria General Hospital for the sick, the Nova Scotia Hospital for the insane, and the Sanatorium at Kentville. After 1919, under a co-operative policy adopted by Federal and Provincial Governments throughout Canada, heavy capital expenditures were made for the reconstruction of main and secondary roads in order that they might carry the increased traffic resultant from the introduction of motor transport. The purchase of additional buildings for public offices, the establishment of power plants under the Nova Scotia Power Commission, and other expenditures, have increased the debt to the figures given, have placed upon the province the additional burden of providing interest and sinking funds therefor and have greatly enlarged the costs of maintenance in every avenue of governmental service.



### **All Available Sources of Revenue Utilized.**

The province is absolutely unable to meet the vital services of government out of the revenue which it has been able to secure from the subjects which it is possible in all fairness to tax, and will require an additional annual sum of not less than \$2,000,000 to meet its essential budgetary requirements. A comparative statement of the sources of revenue of the various provinces issued by the Bureau of Statistics, Ottawa, shows that Nova Scotia has tapped every source available to the provinces that would be revenue producing, and has utilized for this purpose methods of taxation not yet taken advantage of in other provinces, such as partnership registration and capital stock tax. The province has been practically barred from using an income tax owing to its imposition during the war by the Federal Government. The country's business must be financed through the business of the country, and if industrial life and mercantile life are not thriving it is impossible to secure, willingly or unwillingly, from the people the necessary funds with which to manage the affairs of administration.

### **Modern Ideas Call for Greater Expenditures.**

Consideration must also be given to the urgent demands which the advanced thought of modern times imposes upon the province in the matter of education, hospitals and like services, the administration of justice, the development of agriculture and the care of the highways. Technical education has called for heavy expenditure. The cost of highway construction has been increasingly felt and has added very heavily to our provincial outlay. These expenditures must be made, even at the cost of a steadily expanding public debt. The cooperative agreement into which the Dominion and the provinces entered compels additional expenditure for the upkeep of the roads, besides necessary provision for interest on capital expenditure and sinking funds.

### **Unable to Provide Important Public Service.**

The province has not been able to do anything like as much in educational work as modern conditions demand and as it must do if it is to meet competition of the other provinces for our teachers. The care of the feeble-minded has been urged upon the Government from time to time, but this vitally necessary work cannot be undertaken owing to limitations of revenue. Old age pensions are proposed in attempted federal legislation, and the province was expected to bear a proportionate part of the cost. Nova Scotia could never have considered such a measure out of the revenues now available. In many of the provinces, owing to the more generous treatment they have received at the hands of the federal authorities and because of their larger population, provision has been made for the payment of mothers' allowances. A commission to deal with this subject was appointed in Nova Scotia and the report of their proceedings published, yet funds are not available. From time to time the speech from the throne with which the legislature is opened has iterated and reiterated the necessity for additional provincial revenue to carry on more effectively the important services of this province.

It is unnecessary to enter into a long argument to show that what would be a reasonable expenditure for these items half a century ago is far from satisfactory today, having regard to an increased population and the augmented cost of the administration of public affairs. As has been well said, "education being more progressive is necessarily more expensive. Teachers require larger salaries; competition requires that the arts and manufactures be considered in the light of modern science; the conditions of agriculture require greater knowledge and skill; asylums and hospitals are demanded by motives of

humanity as well as economy. There is no avoiding the increased expenditure, unless we are content to allow the province to lapse into indifference to the modern spirit of enterprise and development."

The amount available from subsidy for the purpose of provincial administration in the larger provinces is now relatively one of their smaller items of revenue, but in the smaller provinces, necessarily limited in population, the subsidy grant must form a relatively large proportion of the provincial revenue. The facts are that, whereas in Nova Scotia the subsidy formed at one time a major portion of our receipts, it is now by force of circumstances one of the smaller items, approximately thirteen per cent.

### **Dominion Invades Provincial Fields of Taxation.**

In 1925, the total revenue of the Dominion was \$351,515,392, of which \$146,750,360 was from indirect taxation, customs and excise; \$147,164,158 was from war tax levies imposed upon banks, trust and loan corporations and insurance companies; business profits tax, income tax, sales tax, tax upon cheques, etc.; of the other revenue, \$57,600,874, approximately half, is derived from post office receipts.

The war tax revenue is an invasion of the provincial sources of income. Several, if not all, of the provinces of Canada had been imposing taxation upon banks, upon trust and loan companies, upon insurance companies, and some of the provinces had imposed a personal income tax; all had authorized municipalities to levy a personal income tax. The result is that a large body of taxpayers are subject to both Dominion and provincial taxation, and in some cases income tax is payable from the same persons and corporations to Dominion, provincial and municipal exchequers.

### **The Income Tax.**

There can be no objection to the imposition of such taxes for war purposes, and during the period of the war the burden was borne with equanimity. In introducing the income tax measure in the House of Commons, Sir Thomas White, Minister of Finance, while refusing to admit that the tax was illegal, conceded that the Government would only have introduced it as a war measure. He said:

"The Dominion Government, under the provisions of the British North America Act, is empowered to raise revenue by any mode or form of taxation, whether direct or indirect. On the contrary, the provinces, and, by consequence, the municipalities which derive their taxation powers from the provinces, are confined, in the raising of their revenues, to measures of direct taxation. For this reason, since the outbreak of the war, I have hesitated to bring down a measure of federal income taxation. As I have stated, the provinces and the municipalities are confined to direct taxation, and I have not regarded it as expedient, except in case of manifest public necessity, such as I believe exists at the present time, that the Dominion should invade the field to which the provinces are solely confined for the raising of their revenue."

From this it is clearly seen that the Dominion Government considered that it was invading the provincial field. Sir Thomas White further said that he had placed no time limit upon this taxation measure, but suggested that in a year or two after the war the measure should be deliberately reviewed with the idea of judging whether it were suitable to the conditions which would then prevail. All efforts, however, since the war, to induce the Dominion authorities to retire from this field of taxation have proved of no

avail. At the conference of the Dominion and Provincial Governments in 1918 at Ottawa a submission was made which stated, *inter alia*, as follows:

"The provincial representatives recognize that at such a time as the present it would not be wise to press the Dominion Government for immediate action on the several claims and expectations herein referred to. Without waiving any rights they have for the consideration of such matters at a more opportune moment, the provincial representatives respectfully suggest that since the income tax has been adopted by the Dominion Government as a war measure, it would be reasonable, in view of all the circumstances, that the Dominion should not leave to the provinces the duty of imposing new taxes of a similar character, but that the Dominion tax be treated as one for both Dominion and provincial purposes, and that a proportion of the proceeds of the tax, say 50%, should be assigned by the Dominion to the provinces on a per capita basis to assist the provinces in meeting the pressing obligations of the time; this arrangement to continue during the war and for at least one year after the declaration of peace, and that then the whole question of readjustment of the provincial allowances be taken up for consideration."

At the Provincial Treasurers' Conference in November, 1924, at Ottawa, further claims were made upon the Federal Government for the allocation of a portion of the federal income tax to the provinces.

### **The Sales Tax.**

In the application of the sales tax there have been various unfair rulings by the Dominion Customs Department in respect of goods purchased by the province through its commissions or boards, which are really departments of government. The collection of this tax has been carried on despite the provision of the British North America Act, 1867, (section 125) "no lands or property belonging to Canada or any province shall be liable to taxation."

### **Franking Privilege Withdrawn.**

Furthermore, the Federal Government has withdrawn various privileges which the provinces enjoyed subsequently to Confederation, the most outstanding of which is franking for postal purposes. At interprovincial conferences from time to time this subject has been under consideration, and at the conference in 1913 a resolution was passed that

"It is desirable that the postal regulations of Canada be amended so as to provide for the free carriage of all provincial public documents, both sessional and departmental."

The withdrawal of this privilege placed upon the provincial governments quite a substantial burden in the way of postal taxation.

### **Railway Taxation in the Maritimes.**

Another matter which has agitated the public mind is the non-payment of taxation by the railways operated by the Dominion Government. Other railway companies in this province, as in all the provinces, are subject to a mileage tax, but the mileage of railway held as Crown property is not so assessable (section 125, British North America Act). All these lines owned by the Crown were passed over to the Canadian National Railway Company for operation by virtue of an Act passed by the Dominion Parliament (chapter



3, Acts of 1919) An Order-in-Council was passed constituting the board of directors of the company and vesting in them the direction of the road (P. C. 115, 20th January, 1923). From that time the provinces claimed the right of taxation, though the Dominion Government contended legal exemption under the British North America Act. This matter has lately, however, been adjusted by a recognition by the company that the Maritime Provinces were being discriminated against in the matter of taxation, inasmuch as the Canadian National Railway Company is required in other provinces of Canada to pay taxes, both provincial and municipal. As a result of this arrangement Prince Edward Island is to receive \$65,000 additional per year, Nova Scotia \$91,000, and New Brunswick \$114,000, for the years 1925 and 1926 and thereafter.

### PUBLIC EXPENDITURES—A CONTRAST.

The criticism annually made in Parliament upon Nova Scotian expenditures for public works suggests an inquiry as to whether this province has received more or less than its just share of the budgetary appropriations for Canada. It will be frankly admitted that to extricate facts from what is a mass of controversial matters is an almost impossible task, and it is quite unsatisfactory to weigh the benefits and advantages of federal expenditures in one part of the country with those in another. None the less it may be confidently stated that Nova Scotia has not received generous treatment from the Dominion public chest. Railway extension is a matter of prime necessity in order to open up the West, and it is wise to expend for this purpose even with lavish hand. Harbor improvements, breakwaters, wharves, are equally important for transportation in the East, and moreover we need railways as well. But why should opposition invariably develop when considering expenditures on public works and railways in Nova Scotia? This has sometimes come, as the Hansard debates in Parliament show, from representatives of Ontario and at other times from those of the Western provinces, who have not known our conditions and requirements. For instance, the only railway extensions which were recommended by the Canadian National Railway Board and failed to receive official sanction by Parliament were to have been located in this province, and designed to serve non-railway sections.

### Canals.

In Canada there are six canal systems under the control of the Dominion Government in connection with the navigable lakes and rivers, only one of which, St. Peter's Canal, less than half a mile in length, is located in the province of Nova Scotia. This work is charged with a capital expenditure of \$648,547, while the total capital expenditure on all Canadian canals is as follows:

|  |                  |
|--|------------------|
| Total amount spent on canals in Canada. ....   | \$163,787,855.00 |
| Less amount spent prior to Confederation. .... | 20,593,866.00    |
| Expenditure since Confederation. ....          | \$143,193,989.00 |

The completion of the Welland Canal will add another \$20,000,000 to this sum. The total expenditure chargeable to revenue and capital on canals since Confederation is \$203,950,062, the amount spent out of revenue being \$60,756,073.00.

All these canals have been free of toll to vessels applying for the privilege of locking facilities since 1904.

### Railways.

The capital expenditure on Government Railways in Canada as at March 31, 1924, was \$496,679,240 (Canada Year Book, 1925, p. 602). Of this expenditure, Nova Scotia's proportion includes certain expenditures on improvements and extensions to the

main line of the Intercolonial Railway; new lines built since Confederation including the Eastern Extension Railway from New Glasgow to the Strait of Canso, the Cape Breton Railway, Oxford and New Glasgow Railway, Halifax and Eastern, and twenty miles of Dominion Atlantic Railway, from Annapolis to Digby—the total expenditure being \$8,110,625 and a part of the expenditure of \$136,818,551 on the Intercolonial Railway. The Halifax and South Western Railway was taken over with the Canadian Northern system, so that the province receives interest guaranteed on its investment therein of \$4,447,000. Other notable expenditures outside of Nova Scotia are:

|  |              |
|--|--------------|
| Hudson Bay Railway.....                        | \$35,906,043 |
| Hudson Bay Railway, Port Nelson Terminals..... | 6,242,414    |
| Quebec Bridge.....                             | 22,640,228   |
| Quebec and Saguenay Railway.....               | 7,772,911    |
| National Transcontinental Railway.....         | 169,327,469  |
| Canadian Northern Railway.....                 | 10,000,000   |
| Canadian Pacific Railway.....                  | 62,790,025   |

Besides this, 47,194,880 acres of land have been given to railway companies. Loans account for an additional \$15,142,633, and outstanding railway bonds guaranteed by the Dominion Government total \$311,665,762.

When the Canadian Northern and the Grand Trunk Pacific Railways were taken over by and became a part of the Canadian Government Railway system, there were guarantees outstanding on these railways given by the provinces, as follows:

| Province              | Total Guarantee |
|-----------------------|-----------------|
| British Columbia..... | \$40,157,523.86 |
| Alberta.....          | 22,539,957.97   |
| Saskatchewan.....     | 28,567,723.97   |
| Manitoba.....         | 25,662,545.51   |
| Ontario.....          | 7,859,997.59    |
| Nova Scotia.....      | 4,447,000.00    |

These have been assumed by the Federal Government. The principal and interest are now a charge against the federal treasury. In the cases of two provinces, through default in payment by the company of bond interest, the Government of Canada was required to redeem the coupons which these provinces would otherwise have been called upon to pay, and has since done so, interest date by interest date.

### Harbour Improvements Elsewhere.

While considerable expenditures have been made for equipment and dredging of harbours and rivers in Nova Scotia, yet the Dominion Government has advanced large sums to the Harbor Commissions of Montreal, Quebec and Vancouver, against debentures issued by them. The following are instances:

|   |              |
|---|--------------|
| Improvement of St. Lawrence ship canal..... | \$29,197,836 |
| Georgian Bay.....                           | 918,797      |
| Montreal Harbor.....                        | 1,060,343    |
| Port Arthur and Port William.....           | 14,327,973   |
| Quebec Harbor.....                          | 8,894,607    |
| Toronto Harbor.....                         | 8,585,989    |
| Vancouver Harbor.....                       | 3,600,079    |
| Victoria, B.C.....                          | 5,131,025    |

#### LOANS:

|                                  |            |
|----------------------------------|------------|
| Montreal Harbor Commission.....  | 39,595,000 |
| Vancouver Harbor Commission..... | 10,136,900 |

### Lowest Average Individual Wealth in Canada.

If the amount of the public contributions to Nova Scotia for public works, railways, etc., is much less by millions than the amount that is taken out of it in taxes, direct and indirect, for the benefit of the public treasury, the resultant effect is to make our people poorer and enrich the rest of Canada at our expense. In this may lie the explanation why the Dominion Bureau of Statistics shows Nova Scotia with a lower average of wealth per individual than any other part of Canada. (Canada Year Book, 1925, page 813.)

With its wealth per capita at \$1437, Nova Scotia stands at practically the lowest point of any part of Canada, and less by \$1088 per capita than the average of all of Canada. Prince Edward Island, which has no great industrial life, is the lowest. If these figures are correct—there is no reason to question their accuracy—then individuals in this province enjoy a smaller proportionate share of the wealth of this country than their fellow-Canadians in other parts of the Dominion. It is an added proof that we have not benefited materially through Confederation as much as was our due, the indifferent treatment bestowed upon this part of Canada being an important contributing factor.

The total wealth of Canada in 1921 was over twenty-two billion dollars, and was distributed as follows:

| Province                  | Estimated Wealth       | Wealth per Capita |
|---------------------------|------------------------|-------------------|
| Prince Edward Island..... | \$119,912,060          | 1,353             |
| Nova Scotia.....          | 752,697,986            | 1,437             |
| New Brunswick.....        | 597,596,369            | 1,541             |
| Quebec.....               | 5,541,819,967          | 2,347             |
| Ontario.....              | 7,353,397,816          | 2,507             |
| Manitoba.....             | 1,650,495,868          | 2,705             |
| Saskatchewan.....         | 2,845,642,985          | 3,757             |
| Alberta.....              | 1,950,973,479          | 3,317             |
| British Columbia.....     | 1,365,896,120          | 2,604             |
| Yukon.....                | 16,869,792             | 4,058             |
|                           | <hr/> \$22,195,302,442 | <hr/> \$2,525     |

### NOVA SCOTIA'S SUBSIDY CLAIMS.

To summarize, discontent and dissatisfaction have continued throughout the whole period since Confederation. In times of stress, when the province has found difficulty in financing, and during periods of depression in the business world, these grievances have risen to the surface and have expressed themselves in movements for repeal of the Union and dissatisfaction with its terms. Imperial necessity was declared by the British Government to be the ruling factor in constituting and continuing the Union; but since that time, in dealing with the interests of this province, the Federal Government has said that Dominion necessities over-ride all other considerations and that financial embarrassments constitute no claim for aid from the Dominion.



### **Vexatious Delays in Negotiations.**

Canada has not always carried on the negotiations with the representatives of this Province as expeditiously as the circumstances warranted, and the result of these vexatious delays has been embitterment and estrangement. In dealing with the province in respect to its financial condition, whatever amounts have been received have been closely calculated. Arbitration was required to establish our claims for return of expenditures on the province Building and the Eastern Extension Railway. Earl Granville said that the Dominion would, no doubt, be alive to the justice and expediency of consulting all the various interests of the provinces. In the light of this recital of the treatment which Nova Scotia has received, has this justice, has this expediency, always been meted out?

### **The Conference Agreement.**

While the construction of the Intercolonial Railway and a share in the internal commerce of the Dominion were the two main compensations offered to the Maritime Provinces for entering a national federation, in the actual conference which met to settle the terms there were certain representations made and compromises arrived at which finally secured the consent of the delegates of these provinces to the larger Union. The conference had many difficult problems to solve, the most important of which were the financial considerations for the yielding up to the Dominion by the provinces of their previous sources of revenue from indirect taxation.

Prior to Confederation direct taxation as understood in other parts of Canada had not been levied. Municipalities had not been formed with their powers of local taxation. The central government provided very largely the more direct service over which municipalities were subsequently given authority. While, therefore, the power to impose direct taxation was given to the provinces, it was clearly understood among the conferees that the amounts to be received from subsidy allowances would obviate the necessity of raising by direct taxation the revenues for general purposes. This is borne out by the subsequent action of the provinces in their creating municipalities with power to levy direct taxation.

Maritime Province delegates to the Confederation conference would not consent to any proposition for Union that did not make adequate provision for meeting their existing wants and the carrying on of services to which their people had become accustomed. As Hon. J. H. Gray has pointed out in his account of the Confederation discussions, agreement seemed hopeless, and only following a conference in a sub-committee of the representatives on the tenth day did the "financial crisis" disappear. The result was the adoption of the subsidy provisions to replace the indirect taxation revenue which the provinces would lose by Confederation. This is important when considering the claim of the smaller provinces for adequate subsidies from the federal treasury to meet the varied requirements under provincial jurisdiction.

### **The Claims Summarized.**

These claims are based, not alone on grounds of equity and justice, or as the fulfilment of a bargain made between representatives of the province in conference, but as compensation for sacrifices made in entering a federation which has failed to realize the inducements offered. Nova Scotia and the smaller provinces, if they are to prosper and to assume their rightful place in the Confederacy, must receive sufficient subsidy allowances to assist them in maintaining services which modern requirements have enlarged to a degree not anticipated sixty years ago. While the present per capita basis may provide

ample funds for the needs of the central and larger provinces, yet there must either be a special initial allowance made for the smaller provinces, graded according to population, or a recasting of the per capita basis. Other unions of states have experienced similar difficulties and have overcome them, as has been shown by reference to the provision made for the smaller states in the Commonwealth of Australia. And in Canada itself spasmodic efforts have been made to correct seeming inequalities. Nova Scotia's subsidy claims, therefore, may be reduced to this basis:

- (a) A special allowance additional to the per capita grant now made in lieu of taxation designed to meet more adequately the known needs of provincial government under present-day conditions.
- (b) Subventions continued or granted for specific purposes where joint jurisdiction is being exercised, as in agriculture, immigration, health and employment bureaus;
- (c) Adjustment of technical education grants to provide for a proportionate part of capital costs of technical institutions in Nova Scotia and continuation of specific subsidies for these purposes;
- (d) Additional allowance to meet the capital construction cost of important public highways;
- (e) Allowance for construction or extension of Government buildings, as in other provinces;
- (f) Amount unpaid in connection with the Eastern Extension Railway award for interest on \$671,836 at 5% as and from the 30th of May, 1884, with interest compounded thereon;
- (g) Additional credit on debt allowance account to equalize amounts credited to other provinces which transferred to Dominion no corresponding assets;
- (h) Credit for amounts withheld from the province and paid over to the Dominion under the Halifax Fisheries Award, with interest compounded thereon, as set forth in a subsequent section.

#### **Specifically These Claims Are:**

“(a) (1) An allotment of 25 per cent. of the revenue from Customs and Excise received by Canada to be distributed for provincial administration as follows:

“A fixed grant to each province payable half-yearly in advance—

“Where the population of the province is under 150,000 of \$200,000;

“Where the population is 150,000, but does not exceed 200,000 of \$300,000;

“Where the population is 200,000, but does not exceed 400,000 of \$400,000;

“Where the population is 400,000, but does not exceed 500,000 of \$500,000;

“Where the population is 500,000, but does not exceed 800,000 of \$600,000;

“Where the population is 800,000, but does not exceed 1,000,000 of \$650,000.

“Where the population is 1,000,000, but does not exceed 2,000,000 of \$700,000;

“Where the population exceeds 2,000,000 of \$750,000;

“And the balance of the amount to be estimated and paid half-yearly pro rata on basis of population, the payments to be adjusted at end of each accounting period; or

“(2)—An allotment of 25 per cent. of the revenue from Customs and Excise received by Canada to be distributed for provincial administration as follows:

“A fixed grant to each province payable half-yearly in advance—

“Where the population of the province is under 200,000 of \$200,000;

“Where the population is 200,000, but does not exceed 400,000 of \$400,000.

“Where the population is 400,000, but does not exceed 800,000 of \$750,000;

“Where the population is 800,000, but does not exceed 1,000,000 of \$800,000;

“Where the population exceeds 1,000,000 of \$850,000;

“The balance of the amount available to be paid to the province at the following rates per head of the population of the province;

“Where the population of the province is under 500,000 at the rate of \$5 per head;

“Where the population of the province is 500,000, but does not exceed 1,000,000 at the rate of \$5 per head up to 500,000 and at the rate of \$4 per head for the excess over 500,000;

“Where the population of the province is 1,000,000, but does not exceed 1,500,000 the foregoing rates to apply up to 1,000,000 and at the rate of \$2 per head for the excess over 1,000,000;

“Where the population of the province is 1,500,000, but does not exceed 2,500,000 the foregoing rates to apply up to 1,500,000 and at the rate of \$1 per head for the excess over 1,500,000;

“Where the population of the province exceeds 2,500,000 the foregoing rates to apply up to 2,500,000 and at the rate of 50 cents per head for the excess over 2,500,000;

“And the remainder of the allotment, if any, to be divided equally among the provinces of Canada. If no balance remains, the grants given ratably per head of the population to be proportionately reduced; or

“(3) In the alternative, and until such alteration is made in subsidy allowances to replace present per capita basis, an additional special allowance to Nova Scotia of Two Million Dollars per annum for a period of fifteen years, when same may be readjusted after census of 1941.

“(b) Agriculture, renewal of annual grant of \$81,719; Immigration, annual grant of \$50,000; Health additional annual grant of \$50,000; Employment Bureaus, annual grant of \$3,000.

“(c) \$129,518.53 with compound interest at 5% from date of expenditure, \$72,472.49. Total, \$201,991.02 to be paid out of unearned moneys appropriated to Nova Scotia, under an Act for promotion of Technical Education in Canada.

“(d) Grant to provide sufficient for interest and sinking fund on \$2,250,000 equivalent provincial expenditure to Dominion grant on Highways, and to provide sinking funds for retirement of debenture issues in connection therewith within twenty years.

“(e) Grant of \$468,750 equivalent of grants to Manitoba, Alberta and Saskatchewan for Government buildings with compound interest on same from September 1st, 1905, about \$703,813.41—a total of \$1,172,563.41.



“(f) Interest on \$671,836 (amount of Eastern Extension Railway award) compounded semi-annually as and from May 30th, 1884, to August 23rd, 1901, when same was paid to the province, \$901,796.93; together with compound interest computed semi-annually at 5% from August 23rd, 1901, to July 1st, 1926, on arrears of interest claim, amounting to \$3,077,632.48, a total of \$3,979,429.41.

“(g) Additional credit for \$8,107,500 on debt allowance at Ottawa equal to \$405,575 per year, amount allowed to Saskatchewan, Alberta and Manitoba on basis of population of 250,000 with compound interest on same for periods during which this amount was withheld from province.

“(h) Proportionate amount of \$4,000,000 of moneys withheld from province in connection with Halifax Fisheries award, approximately \$1,760,000, interest on same to be paid to Province annually to be available for expenditures in connection with fishing industries, the subsidizing of steamers, etc., and to form a part of consolidated revenue of province as well as provision for full amount of interest on Halifax award to be expended annually for developing fisheries.”

## NOVA SCOTIA'S CASE ON PARTITION OF FEDERAL LANDS

The maritime claims with respect to federal lands are based on two major considerations. One is, that the extra-provincial lands that came into possession of the Dominion Government were acquired by purchase, developed, and given value, almost exclusively at the expense of the four original parties to the Confederation pact, namely, Nova Scotia, New Brunswick, Quebec and Ontario. The other is, that this territory, comprising as it does four-fifths of the entire area of the Dominion of Canada, and containing natural resources of incalculable value, is being steadily allotted to other Provinces of the Dominion, thus enlarging their wealth and swelling their provincial revenues, while Nova Scotia, New Brunswick and Prince Edward Island, which have an undoubted proprietary interest in every acre of this domain, have received no part of it whatever and no financial consideration in respect to its partition.

### Origin of Provinces.

The four original provinces of the Canadian Confederation, as established in 1867, were, Ontario, Quebec, Nova Scotia and New Brunswick. Manitoba was established as a province out of the North West Territories in 1870, British Columbia joined the Union in 1871, and Prince Edward Island in 1873. In 1905, the provinces of Alberta and Saskatchewan were called into existence by federal legislation. The six oldest provinces had an approximate area of 529,000,000 acres of land, which was about one-fifth of the total area of British North America, outside of Newfoundland. The remaining four-fifths included Rupert's Land, the peninsula of Ungava and the North West Territories.

### The Hudson Bay Purchase.

By the Rupert's Land Act, 1868, and an Imperial Order-in-Council, which was taken out in June, 1870, these territories became a part of the domain of Canada, with certain reservations, and on the condition that the Dominion Government should pay to the Hudson Bay Company, the owner of the greater part of the annexed territory, the sum of 300,000 pounds sterling. This sum was paid out of the federal treasury, thus establishing by purchase a complete title to Rupert's Land, the North West Territories and Ungava, for the Dominion of Canada as then constituted, consisting, as it still did, of the four original parties to the Confederation pact. In 1878 an Imperial Order-in-Council was passed annexing to the Dominion of Canada all British possessions in North America, excepting Newfoundland. The purpose of this order was to remove any doubts that might exist with regard to the boundaries and extents of the lands purchased from the Hudson Bay Company. Subsequent surveys show that the federal lands, which thus became incorporated in the Dominion of Canada, consisted of approximately 1,858,000,000 acres.

In this vast territory each of the three Maritime Provinces has a definite and substantial proprietary interest, and it is for the recognition and equitable appraisalment of that interest that they are now appealing to the Parliament of Canada.

### Process of Partition.

Since the year 1870 the process of distribution of this federal domain has been steadily going on. In that year the province of Manitoba was created with boundaries enclosing 47,188,292 acres, and in 1912 this territory was increased by the extension of Manitoba's boundaries northerly to the shores of the Hudson Bay, so as to include an additional area of 114,091,708 acres. In 1905 the provinces of Alberta and Saskatchewan were estab-

lished within provincial boundaries, which enclosed 163,382,400 and 161,088,000 acres, respectively. In 1888, 22,000,000 acres of federal territory were added to the Ontario area, and in 1912 its boundaries were pushed still further north to the waters of Hudson Bay, enclosing 93,696,000 additional acres. In 1898, 101,323,361 acres of federal lands lying north of Quebec were added to the area of that province, which received a further addition of territory from the same source in 1912, amounting to 227,375,000 acres.

### Area of Provinces.

The following table shows the total area of the Dominion, the areas under Provincial Government, and the extent of the public domain still remaining in all respects under the direct jurisdiction of the Federal Government:

|  | Acres              |
|--|--------------------|
| Total area of Canada.....  | 2,386,985,395      |
| Total area of the four original Provinces—Ontario,<br>Quebec, Nova Scotia and New Brunswick (1867) | 300,461,105        |
| Total area of British Columbia and Prince Edward<br>Island (1871-1873).....                        | 229,145,191        |
| Original area of Manitoba (1870).....  | 47,188,298         |
| Total area of Alberta (1905).....  | 163,382,400        |
| Total area of Saskatchewan (1905).....   | 161,088,000        |
| Manitoba Extension (1912).....   | 114,091,702        |
| Ontario Extension (1888).....  | 22,000,000         |
| Ontario Extension (1912).....  | 93,696,000         |
| Quebec Extension (1912).....   | 227,375,000        |
| Yukon.....   | 132,528,640        |
| Total organized territory.....   | 1,592,279,697      |
| Remaining unorganized federal territory.....   | 794,705,698 acres. |

When the three prairie provinces of Manitoba, Saskatchewan and Alberta were created and their original boundaries established, the ownership, control and administration of lands, forests, mines and natural resources within their respective territories were reserved by the Federal Government, which still exercises jurisdiction over them. There were the same reservations with respect to the additional area given to Manitoba when its boundaries were extended in 1912. There were no such reservations, however, in the cases of the extensions of the boundaries of Ontario and Quebec. Those provinces exercise complete control over the lands, forests, mines and natural resources comprised in the federal territories transferred to them by the legislation of 1888, 1889 and 1912. The three Prairie Provinces are pressing for the transfer to their Provincial Governments of the lands and natural resources within their respective boundaries.

### The Western School Lands.

But while the Prairie Provinces have not enjoyed control over their natural resources, they have received compensation in two ways. By virtue of a Dominion statute passed in 1872, certain portions of the North West Territories were set aside for the maintenance of public schools in Manitoba and the North West Territories. Provision was also made by the Manitoba Act of 1870, as well as in the Saskatchewan and Alberta Acts of 1905, whereby special subsidies were authorized to be paid out of the federal treasury, to furnish



revenues in lieu of the income that might have been derived from crown lands and natural resources to help meet the expense of civil government in the three provinces. The allotment of lands for the maintenance of education in Manitoba and the Territories has been made under the provisions of the Dominion Lands Act of 1872, chapter 23, section 22, where by sections 11 and 29 "in each and every surveyed township throughout the extent of the Dominion lands shall be set apart as an endowment for the purpose of education." As these lands have been sold from time to time by the Federal Government, the proceeds have been funded and invested in government securities, the interest whereof has been paid from year to year to the Governments of Manitoba, Saskatchewan and Alberta. A return made in the House of Commons in reply to questions submitted to the Dominion Government on May 27th, 1926, shows that up to that date the following amounts had been paid on account of school lands by the Federal authorities to these three provinces:

|                   |                |
|-------------------|----------------|
| Manitoba.....     | \$5,596,575.18 |
| Saskatchewan..... | 10,384,483.21  |
| Alberta.....      | 6,724,069.73   |

The same return shows that the average amount received per acre on account of said school lands in the case of each of the three provinces was as follows:

|                   |        |
|-------------------|--------|
| Manitoba.....     | \$9.76 |
| Saskatchewan..... | 17.76  |
| Alberta.....      | 14.02  |

The return further shows the following amounts to be in the custody of the Federal Government to the credit of the three Prairie Provinces on account of such school lands as have thus far been disposed of by sale:

|                   |                |
|-------------------|----------------|
| Manitoba.....     | \$5,840,489.21 |
| Saskatchewan..... | 14,834,655.86  |
| Alberta.....      | 7,826,970.26   |

About seven years ago, namely on the 26th of March, 1919, a Government return tabled in the House of Commons showed that total appropriations of lands for educational purposes had been made, under the provision of the Lands Act of 1872, for the three Prairie Provinces as follows:

|                   |                 |
|-------------------|-----------------|
| Manitoba.....     | 7,993,600 acres |
| Saskatchewan..... | 8,421,100 "     |
| Alberta.....      | 7,798,000 "     |
| Total.....        | 24,213,300 "    |

Under the same return (Order Paper No. 17412, March 26th, 1919) the approximate values of the unsold school lands in these three provinces were given as follows:

|                   |              |
|-------------------|--------------|
| Manitoba.....     | \$49,778,000 |
| Saskatchewan..... | 69,672,000   |
| Alberta.....      | 55,408,000   |
| Total.....        | 174,858,000  |

Between March 1919 and May 1926, the lands sold for school purposes realized \$11,504,780.72. Deducting this from the total appraised value of unsold school lands as in 1919, it may be inferred that school lands are still held by the Government of Canada in trust for educational purposes in the three Prairie Provinces to the value of \$163,353,-

219.28. The interest paid to the Prairie Provinces out of the fund derived from the sale of these lands is estimated at the rate of 5% on the principal sum held by the Government. The principle observed in this connection is precisely the same as that which is followed with respect to the debt allowances of the various provinces, which originally entered Confederation under the British North America Act. The school land account in its relation to the three Prairie Provinces may be summarized as follows in view of the information furnished by the Government in the returns above referred to:

|  |                 |
|--|-----------------|
| Manitoba's total allotment of School Lands.....                          | 7,993,600 acres |
| Amount credited to Manitoba on School Lands sales to date.....           | \$5,840,489.21  |
| Interest paid thereon to Manitoba by Federal Government to date.....     | 5,596,575.18    |
| Value of unsold lands at \$7.00 per acre (1919 return)                   | 48,724,923.00   |
| Total.....   | \$60,161,987.39 |
| Saskatchewan's total allotment of School Lands....                       | 8,421,000 acres |
| Amount credited to Saskatchewan on School Lands sales to date.....       | 14,834,655.86   |
| Interest paid thereon to Saskatchewan by Federal Government to date..... | 10,384,483.21   |
| Value of unsold lands at \$10.00 per acre.....                           | 62,315,644.00   |
| Total.....   | \$87,534,783.07 |
| Alberta's total allotment of School Lands.....                           | 7,798,600 acres |
| Amount credited to Alberta on School Lands sales to date.....            | 7,826,970.26    |
| Interest paid thereon to Alberta by Federal Government to date.....      | 6,742,069.73    |
| Value of unsold lands at \$9.00 per acre.....                            | 60,140,052.00   |
| Total.....   | \$74,709,041.99 |

### School Revenues, West and East.

This shows that a total area of 24,213,300 acres of school lands has been set apart for these three provinces, that they had received in the aggregate payments of \$22,705,128.12 up to May 27th, 1926 in interest on the funded receipts from the sales made, and that the aggregate capital amount standing to their credit on that date was \$28,502,115.33. In addition to these payments on account of interest and funded credits there are lands, earmarked and set aside by legislation for school purposes in these three provinces, having an estimated value of \$163,353,219.28. Assuming that the remaining lands be sold at prices averaging those already realized, the grand total which will finally go to Manitoba, Saskatchewan and Alberta for school purposes out of this fund will amount to \$191,855,334.61 without allowing for the future accumulation of interest. The ultimate income from these funded credits at 5% of estimated values will yield the three provinces between \$9,000,000 and \$10,000,000 per year for public school purposes. This will be at least five times as large an annual appropriation for school purposes in the three

Prairie Provinces as the aggregate appropriations the three Maritime Provinces are now making out of their own revenues for the maintenance of their systems of public instruction. It is because of this great disproportion in the revenues available for educational purposes between the three Eastern and the three Prairie Provinces that the Maritimes ask for compensation with respect to their interest in the lands set apart for this purpose. A method whereby an equitable adjustment may be reached will be suggested later on in the body of this memorandum.

### Subsidies in Lieu of Lands.

Similarly generous treatment has been extended to the Prairie Provinces in the matter of Federal subsidies. Besides being allowed the per capita subsidies which the other Provinces have received, Manitoba, Saskatchewan and Alberta are allowed substantial annual revenues out of the federal treasury to compensate them for the retention of their lands and natural resources by the federal authorities. The basis of calculation to determine from time to time the amount to be paid the Western Provinces in lieu of lands is as follows:

| Population                 | Subsidy             |
|----------------------------|---------------------|
| 250,000 to 400,000.....    | \$375,000.00 yearly |
| 400,000 to 800,000.....    | 562,500.00 "        |
| 800,000 to 1,200,000.....  | 750,000.00 "        |
| 1,200,000 and upwards..... | \$1,125,000.00 "    |

No fault is found with the principle of this allowance of revenue in lieu of lands, nor with the generous manner in which it has been applied. It is, however, pertinent to this discussion to point out that the financial terms accorded the Prairie Provinces have been far more liberal than those enjoyed by Nova Scotia, New Brunswick or Prince Edward Island. To illustrate this point it may be stated that one year's subsidy in lieu of lands, or one year's payment on account of school lands, to any one of the three Prairie Provinces, represents a larger sum than Nova Scotia has derived from the sale of lands and forests in the past twenty-five years. It is worth while enquiring why Alberta and Saskatchewan, the most recently organized provinces, have received such large subsidies as compared with those that were determined for the Maritimes at the time of Confederation. The answer is obvious enough. The two new provinces received more generous financial treatment than was accorded the older provinces, for the simple reason that the public men of Alberta and Saskatchewan would not accept the responsibilities of provincial autonomy on the basis of the meagre subsidies granted to Nova Scotia and New Brunswick in 1867. It is, therefore, submitted with all confidence that natural justice dictates a revision of the whole question of provincial subsidies, with a view to placing Nova Scotia on an equal financial standing with its sister members of the Confederation in the prairie west.

### West Demands Complete Autonomy.

The three Prairie Provinces, although enjoying especially generous financial treatment as compared with that accorded Nova Scotia, New Brunswick and Prince Edward Island, are not satisfied with their present status. They ask for the transfer to their Provincial Governments of all the Dominion crown lands within their territories and for exclusive provincial jurisdiction with respect to the same. In their aspirations for complete provincial autonomy, Manitoba, Saskatchewan and Alberta have the full sympathy of the Maritime Provinces. No defence can be offered in support of the anomaly which shows different Canadian provinces exercising different degrees of autonomy. Such a condition is entirely repugnant to the federal idea. Nor will anyone seriously question



that the Provincial Governments of the West, with their expert first-hand knowledge of local conditions, are the proper authorities to deal both with the crown lands and all the public resources within their territorial limits. It must, moreover, be conceded that the Governments which thus assume these additional responsibilities of administration should be generously provided with revenues out of the public domain of the West, for the heavier administrative outlay they will incur. But after the cost of efficient local Government has thus been provided for, and provision made for an adequate amount of free homesteading, it is submitted that the valuable assets which will still remain—the surplus of public lands, timber, mineral wealth and other natural resources—should be regarded as being held in trust for all Canada. That is the principle which has been observed by the United States in the administration and partition of its federal territories

#### **Method Adopted by United States.**

The American Federal Government, after reserving colonization lands and endowing transcontinental railroads out of the public domain, and before surrendering the western territory to the newly-created western states, made reservations of vast areas in the West for the benefit of each and every state in the Union. In this connection, special reference may be made to the Morrill College Land Act, passed by the Federal Congress of the United States and approved by President Lincoln on June 23rd, 1860. This enactment prepared the way for that nation-wide system of agricultural colleges and technical schools which has given the United States the commanding position it occupies in the world of industry and commerce. By the Morrill College Land Act, which has been amended from time to time, the principle of the joint proprietary interest of the older states in the federal domain is frankly and fully recognized. Under its provisions every state in the Union was granted 30,000 acres of public land for every senator and member of the House of Representatives to which it is entitled under the constitution. All moneys derived from the sale of these lands are required to be invested in state securities bearing interest at not less than five per cent. The income from this investment is, under the terms of the above-mentioned Act, to be used for the endowments and maintenance of at least one agricultural and technical college within the borders of each state. It has thus come about that certain well-defined areas in the West have been reserved for each and every one of the separate state governments. In this way, such states as Maine, Massachusetts, Vermont, Rhode Island and New York, although located in the extreme east, have become the beneficial owners of western lands situate in the Valley of the Mississippi and Missouri Rivers. The reason for this allotment was that the western domain was common property, by virtue of its purchase from France by the Federal Government in 1803. The "Louisiana Purchase" was not regarded as having created an asset which was to be the peculiar patrimony of such new states as the accident of geography might call into existence in the course of the years. The American West belonged to all the states of the American Republic, and has been consistently treated as being the joint property of all the State Governments in the Union. This principle of joint ownership is grounded in the fact that it was the pooled resources of the original states of the Union that were used for the acquisition of these federal lands. It was the older states that had developed the western domain, subsidized railways through them, and carried on an expensive policy of colonization and land settlement throughout the great West. The whole transaction was a federal investment, from which every state in the Union was entitled to profit.

#### **The Canadian Analogy.**

The Canadian case presents an essentially perfect analogy. The four original provinces—Ontario, Quebec, Nova Scotia and New Brunswick—acting through Parliament, bought the Northwest Territories from the Hudson Bay Company. The initial purchase price of \$1,500,000 was the merest fraction of what the Northwest has cost the federal

Government. From 1870 to the present time, the cost of opening up, administering, colonizing and otherwise developing the Western domain, has been a constant and steadily increasing drain on the Federal Treasury, and has added many hundreds of millions of dollars to the national debt. The mere administration of the school lands has cost Canada fifty per cent. more than the entire amount that has been realized from their sale to date.

### **Federal Outlay on Western Lands.**

The Deputy Minister of the Interior, has furnished a statement up to 31st March, 1925, showing that the total amount expended on Dominion lands at that date had amounted to \$122,758,806.48, while the revenue therefrom was only \$81,232,431.54, thus showing a net loss of \$41,526,374.94. But apart from this direct outlay on administration account, hundreds of millions of dollars have been paid out of the public treasury and on the national credit to open up the West, make it fit for settlement and give value to the natural resources which it contains. Three transcontinental railways have been built through this western domain, in all cases on the strength of the credit of the Canadian Government. The heavy program of railway building, carried out to exploit and develop our western domain, has created the most difficult financial problem with which the country is today confronted.

In opening out the West for settlement at such a tremendous cost, we of Eastern Canada were building better than we knew—and perhaps than we intended. So well has this great national undertaking prospered, that the grandeur and allurements of the West today constitute the greatest menace to the East. We are losing our population in a steady and increasing stream. With the loss of eastern population, the centre of political power and of financial and industrial activity is working its way, with disquieting rapidity, towards this new western country which we have developed with such pains and at such an incalculable cost.

### **Boundary Extension.**

The additions which have been made to the territories of Quebec and Ontario comprise an area ten times as great as that of the three Maritime Provinces combined. In the vast region of what are now the hinterlands of the two central provinces, there are forest resources, mineral deposits and agricultural lands of enormous potential value, which will increase with the passing years. These additional territories have already augmented the revenues, enlarged the provincial credit and stimulated the investment of capital in Quebec and Ontario. Nor is there any disposition to protest against the extension of the boundaries of these two provinces. The accident of geography made it inevitable that this portion of the Federal domain should ultimately form part of the adjacent provinces. Neither Nova Scotia, New Brunswick nor Prince Edward Island, geographically situated as they are, can reasonably claim to have their administrative jurisdiction extended to any portion of the unorganized federal territory. What we do claim, however, is adequate compensation in the shape of an increase of federal subsidies for our non-participation in such division of the federal domain as has already been made and must inevitably be made in the near future.

### **Basis of Compensation.**

Nova Scotia's claims with respect to the federal domain may, therefore, be said to fall within three separate categories:

1. A credit against the Dominion Government, equivalent on a per capita basis of calculation, to that extended to Manitoba, Saskatchewan and Alberta, on account of school lands.

2. A credit as against the Dominion Government of such an amount as will fairly represent, on a per capita basis of calculation, Nova Scotia's proprietary interest in the public lands of Manitoba, Saskatchewan and Alberta, if and when the said lands are transferred to the Government of these provinces.

3. A credit as against the Dominion Government as compensation to this province for non-participation in the federal lands transferred to Quebec and Ontario, under the legislation of 1888, 1898 and 1912. When these credits have been arbitrated and established, the interest thereon should be paid annually to Nova Scotia, according to the methods followed with respect to the debt allowances to the several provinces at Confederation.





TRANSPORTATION PROBLEMS  
AND  
FREIGHT RATE STRUCTURE  
OF THE  
PROVINCE OF NOVA SCOTIA





## TRANSPORTATION PROBLEMS IN NOVA SCOTIA.

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The Province of Nova Scotia, situated as it is at the Eastern extremity of Canada, and for freight rate making purposes, one stage further east than any other portion of the Atlantic seaboard of Canada or the United States, occupies a position with regard to transportation costs that should be carefully considered, in order that the peculiar requirements of this section of the country should not be overlooked.

This is particularly true by reason of developments in the railway situation of Canada in the past ten years.

Previous to 1915 there were several separate railways in operation in Canada. Each road was entirely separate from the other and competing with the others for traffic.

The only railway in existence at that time that could be termed a transcontinental road or system was the C. P. R. Its lines extended from the Pacific Coast to Saint John, N. B., and the C. P. R. also controlled the D. A. R. in the province of Nova Scotia.

Due principally to an over-expansion of railway construction in Canada, the Dominion Government, during the war, were forced into taking over many privately-owned lines. The more important systems were the Grand Trunk and the Canadian Northern.

The Dominion Government at that time also owned and operated the Intercolonial Railway, the Prince Edward Island Railway and the Transcontinental Railway systems.

All these different systems were immediately brought together under one management, the consolidation starting about 1918 and finally completed by 1921.

This consolidated system is now under one management and is known as the Canadian National Railways. It serves every section of Canada and enters directly or through connections every large city in the northern United States.

We have, therefore, in Canada today, two major transportation systems, both of which are in the true sense of the word transcontinental railways.

These two transcontinental systems, the Canadian National and the Canadian Pacific, operate more than 95% of the total standard gauge mileage in operation at the present time in Canada.

The Canadian National Railways, at the present time, controls the transportation services of the province of Nova Scotia by rail. While the Dominion Atlantic Railway is a subsidiary of the Canadian Pacific, it has no outlet for tonnage originating on its lines, except by delivery to the Canadian National at Windsor Junction or Truro. It is true that a route is open via Digby and Saint John, but as this means breaking bulk at Digby and loading into cars again at Saint John, the effective competition of the Digby-Saint John route is negligible. The use of a car ferry between these two points is a problem which has not yet been solved, the high tides making it impossible to construct car runways at the terminals.

The Canadian National Railways during 1924 handled 2,763,628 tons, or 71.2% of the total tonnage of the three Maritime Provinces.

Therefore, if special attention appears to be directed to the operations of the Canadian National, the position it occupies in the economic welfare of the province of Nova Scotia must be taken into consideration.

There is an element of danger in the present railway situation in Canada to shippers located at the extremities of a country which relies on the services of only two major transportation systems, both of which extend from coast to coast.

This danger lies in the inevitable tendency on the part of these railways to apply an equal charge for transportation and services throughout their entire systems and to create, as far as possible, a complete monopoly of the territories they serve.

The situation in the United States, which is without doubt, the best means of comparison, is entirely different. There are no transcontinental systems in existence, and the general feeling of the public would indicate that they would be bitterly opposed to any serious attempts to amalgamate the individual railways of the United States into transcontinental systems because of the inevitable tendency to disregard varying conditions in different localities. The individual systems of the United States are interested in looking after the welfare of the communities which they serve, and are continually on guard to protect the interests of their customers. This feature of the opposition to consolidation of railways in the United States is well recorded in the report of the New England Railroad committee to the Governors of the New England States, June, 1923. The Federal Government had directed the Interstate Commerce Commission by means of the Esch-Cummins Act of 1920 to "prepare and adopt a plan for the consolidation of the railroad properties of the continental United States into a limited number of systems". At the request of the Governors of the six New England States, a committee, composed of five members from each state was formed, with an executive of six, representing one from each state. A reference to the findings of this committee as to the effect of a consolidation on their freight rate situation, and railway services, might be interesting.

On page 197 of this report, under the caption of "Trunk Line Consolidation a Last Resort," the report states as follows:

"The great majority of the inhabitants of New England do not want trunk line consolidation; they do not believe that national interests require it, and they do not believe it is best for the development of this end of the country. We think that New England has too long a record and has shown too many times, whether in peace or war, its desire to contribute to the national welfare, whether it happened to be to the immediate interest of New England or not, to permit the charge to be successfully made that in this matter it is seeking to obtain for itself a benefit which in any respect is hostile to the interest of the country as a whole. On the contrary, the development of each and every group of states in this country to the utmost possibility is in the interests of all the states, and this doctrine applies to the question before us."

From the time of the completion of the Intercolonial shortly after Confederation, and up to about 1912, the interests of the province of Nova Scotia were in a measure protected, with regard to the peculiar requirements of its traffic and the geographical position the province occupied in the Dominion.

In so far as freight rates were concerned, this recognition took the form of a rate structure of which the more salient features were as follows:

#### **Differential West-bound Rates.**

A schedule of differential west-bound rates that were lower than the rates east-bound for the same traffic and between the same stations.

This was essential in order to permit the Nova Scotia shipper, situated on the Eastern extremity of the Dominion, to overlap his competitor in the provinces of Ontario and Quebec. The average cost of transportation per unit, combined with the geographical position, of the Ontario and Quebec shipper, permits him to ship both east and west, while the Nova Scotia shipper can only ship one way. These differential rates, from a check of the tariffs, were in existence prior to 1898 and up to May, 1912.

These schedules of differential west-bound rates were wiped out in 1912, by advancing the west-bound rates to the level of the east-bound rates then in existence. The actual adjustment was as follows:

|                          | <i>Classes in Cents Per 100 Lbs.</i> |    |    |    |    |    |    |    |   |    |
|--------------------------|--------------------------------------|----|----|----|----|----|----|----|---|----|
|                          | 1                                    | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9 | 10 |
| <i>Prior to 1912—</i>    |                                      |    |    |    |    |    |    |    |   |    |
| Montreal to Halifax..... | 56                                   | 49 | 43 | 35 | 28 | 28 | 21 | 22 | — | 19 |
| Halifax to Montreal..... | 50                                   | 44 | 38 | 31 | 25 | 25 | 19 | 20 | — | 17 |
| Differential.....        | 6                                    | 5  | 5  | 4  | 3  | 5  | 2  | 2  | — | 2  |
| Montreal to Sydney.....  | 64                                   | 56 | 49 | 40 | 32 | 32 | 25 | 26 | — | 23 |
| Sydney to Montreal.....  | 58                                   | 51 | 44 | 36 | 29 | 27 | 23 | 24 | — | 21 |
| Differential.....        | 6                                    | 5  | 5  | 4  | 3  | 3  | 2  | 2  | — | 2  |

The adjustment of May 15th, 1912, resulted in the rates being made to apply in both directions as follows:

| <i>BETWEEN—</i>           | <i>Classes in Cents per 100 Lbs.</i> |    |    |    |    |    |    |    |   |    |
|---------------------------|--------------------------------------|----|----|----|----|----|----|----|---|----|
|                           | 1                                    | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9 | 10 |
| Montreal and Halifax..... | 56                                   | 49 | 42 | 35 | 28 | 26 | 20 | 21 | — | 19 |
| Montreal and Sydney.....  | 64                                   | 56 | 48 | 40 | 32 | 30 | 22 | 23 | — | 21 |

The rates in effect at the present time between Halifax and Sydney to Montreal apply equally in both directions as follows:

| <i>BETWEEN—</i>            | <i>Classes in Cents per 100 Lbs.</i> |     |     |     |     |     |     |   |     |    |
|----------------------------|--------------------------------------|-----|-----|-----|-----|-----|-----|---|-----|----|
|                            | 1                                    | 2   | 3   | 4   | 5   | 6   | 7   | 8 | 9   | 10 |
| Montreal & Halifax.....104 | 91½                                  | 79  | 65  | 52½ | 49  | 37½ | 40  | — | 36½ |    |
| Montreal & Sydney.....112  | 97                                   | 84½ | 70½ | 55½ | 52½ | 40  | 41½ | — | 37½ |    |

Thus doing away with the differential west-bound rates and wiping out any geographical considerations that the province of Nova Scotia might be entitled to.

At the same time the Canadian Railways were and are at the present time participating in and even taking west-bound traffic at a lower differential rate than the U. S. A. roads, from New England states points to points in central Canada and the central states. In dealing with the New England situation, there are two distinct routes that must be taken into consideration: first, the standard all-rail route which is confined to traffic moving west from the New England states via the all U. S. A. route. The second movement is the differential all-rail route. The differential all-rail route is part U. S. A. and part Canadian. The table of distances given on page 121 will indicate the routings of traffic over both routes.

An example of how these differential rates from the New England states are built might be of interest and will tend to indicate the policy of the Canadian and U. S. A. railways to counteract the geographical position of the eastern extremity of the U. S. A.

The following are the rates in effect at the present time between points in the New England states and points in central Canada and the central states, and will also serve to show the participation of the Canadian Railways in this policy of granting differential westbound rates:

*BETWEEN UNITED STATES POINTS—*

*Classes in Cents Per 100 Lbs.*

| <i>*Standard All-rail Route</i> | 1   | 2    | 3    | 4  | 5   | 6   |
|---------------------------------|-----|------|------|----|-----|-----|
| Chicago to Boston.....          | 149 | 130½ | 99½  | 70 | 59½ | 49½ |
| Boston to Chicago.....          | 142 | 124½ | 94½  | 66 | 56½ | 47½ |
| Differential.....               | 7   | 6    | 5    | 4  | 3   | 2   |
| St. Louis to Boston.....        | 173 | 151½ | 115½ | 81 | 69  | 57½ |
| Boston to St. Louis.....        | 166 | 145½ | 110½ | 77 | 66  | 55½ |
| Differential.....               | 7   | 6    | 5    | 4  | 3   | 2   |

*\*Via Railway Lines on U. S. A. Territory.*

| <i>*Differential All-rail Route</i> | 1   | 2    | 3    | 4  | 5   | 6   |
|-------------------------------------|-----|------|------|----|-----|-----|
| Chicago to Boston.....              | 149 | 130½ | 99½  | 70 | 59½ | 49½ |
| Boston to Chicago.....              | 137 | 120½ | 91½  | 63 | 54½ | 46½ |
| Differential.....                   | 12  | 10   | 8    | 7  | 5   | 3   |
| St. Louis to Boston.....            | 173 | 151½ | 115½ | 81 | 69  | 57½ |
| Boston to St. Louis.....            | 161 | 141½ | 107½ | 74 | 64  | 54½ |
| Differential.....                   | 12  | 10   | 8    | 7  | 5   | 3   |

*\*Via part U. S. and part Canadian Routes.*

*BETWEEN U. S. AND CANADIAN POINTS—*

*Classes in Cents Per 100 Lbs.*

|                          | 1    | 2   | 3   | 4   | 5   | 6   |
|--------------------------|------|-----|-----|-----|-----|-----|
| ⊕ Toronto to Boston..... | 118  | 103 | 78½ | 55½ | 47  | 39  |
| Boston to Toronto.....   | 103  | 91  | 69½ | 48½ | 41  | 35  |
| Differential.....        | 15   | 12  | 9   | 7   | 6   | 4   |
| Montreal to Boston.....  | 104½ | 91½ | 72½ | 51  | 44  | 34  |
| Boston to Montreal.....  | 97½  | 87  | 65  | 45  | 39  | 33½ |
| Differential.....        | 7    | 4   | 7   | 6   | 5   | ½   |
| Ottawa to Boston.....    | 114  | 97  | 76  | 56½ | 47½ | 38  |
| Boston to Ottawa.....    | 103  | 91  | 69½ | 48½ | 41  | 35  |
| Differential.....        | 11   | 6   | 6½  | 8   | 6½  | 3   |

⊕ Toronto rate group includes Sarnia, Windsor, Hamilton, London, Chatham, Brantford, etc.

It will be noted that on either the standard or differential routes, the rates east-bound are the same.

With regard to the standard all-rail route, the Boston rate applies to all points in the New England states with very few exceptions. The Boston west-bound rate is predicated on the New York west-bound rate. In other words, the west-bound rates from New England rate points are no higher than the New York rate, but the differentials as indicated above apply over New York on all traffic consigned to points in the New England states.



The standard all-rail rates from New York to Chicago are equal both ways, but the Canadian National publish west-bound rates from New York to Chicago as follows:

|  | <i>Classes in Cents per 100 Lbs.</i> |      |     |    |     |     |
|--|--------------------------------------|------|-----|----|-----|-----|
|  | 1                                    | 2    | 3   | 4  | 5   | 6   |
| ⊕Chicago to New York.....                    | 142                                  | 124½ | 94½ | 66 | 56½ | 47½ |
| ‡New York to Chicago.....                    | 134                                  | 118½ | 89½ | 62 | 52½ | 44½ |
| Difference.....                              | 8                                    | 6    | 5   | 4  | 4   | 3   |
| ⊕Via either standard or differential routes. |                                      |      |     |    |     |     |
| ‡Via differential route only.                |                                      |      |     |    |     |     |

Thus the Canadian National Railways have really gone one better than the railways of the U. S. A. in counteracting geographical location.

An analysis of the rates given above will show that the Canadian lines are moving traffic west-bound from the New England states at rates that are lower than those in effect over the standard all-rail route as follows:

|                          | <i>Classes in Cents per 100 Lbs.</i> |   |   |   |   |   |
|--------------------------|--------------------------------------|---|---|---|---|---|
|                          | 1                                    | 2 | 3 | 4 | 5 | 6 |
| Boston to Chicago.....   | 5                                    | 4 | 3 | 3 | 2 | 1 |
| New York to Chicago..... | 8                                    | 6 | 5 | 4 | 4 | 3 |

We have, therefore, a situation which indicates very clearly that while the Canadian railways have eliminated all geographical considerations so far as the province of Nova Scotia is concerned, they are, on the other hand, granting lower west-bound differentials from the New England states than the United States roads, and even entering New York with differential west-bound rates, where the United States roads are publishing equal rates both ways.

It has been stated that the reason for the Canadian Railways giving lower rates west-bound than the American roads is on account of the longer haul and the delays. A glance at the map will show the relative position of the routes of the Canadian and U. S. A. railways. In fact, the actual mileages on the differential all-rail routes compare very favorably with the standard all-rail. The distances between Boston and Chicago by several of the established standard and differential all-rail routes, having joint tariffs and regularly used by the New England shippers are as follows:

|  | Miles |
|--|-------|
| ⊕Boston & Maine, New York Central, Wabash.....   | 989   |
| ⊕Boston & Maine, New York Central, Nickel Plate.....   | 1004  |
| ⊕Boston & Maine, New York Central, (West Shore).....   | 1021  |
| ⊕Boston & Albany, New York Central.....  | 1026  |
| ⊕Boston & Maine, Delaware & Hudson, Delaware, Lackawana & Western,<br>Nickel Plate.....                        | 1061  |
| ‡Boston & Maine, Central Vermont, Canadian National, Grand Trunk West-<br>ern (via Swanton & Coteau Jct.)..... | 1129  |
| ⊕New Haven, Pennsylvania.....  | 1137  |
| ‡Boston & Maine, Canadian Pacific, Michigan Central.....   | 1189  |
| ⊕New Haven (via Deven & Maybrook), Erie.....   | 1226  |
| ⊕New Haven, Baltimore & Ohio (freight line).....   | 1249  |
| ⊕Standard all-rail route.  |       |
| ‡Differential all-rail route.  |       |

It will be noted from the above that the Canadian National routing does not go through any large terminals, thereby effecting a considerable saving over the U. S. A. routes where the traffic is heavy and congestion a frequent occurrence.

### Town Tariff or Distributing Rates.

A lower schedule of town tariff or distributing rates from town tariff points in the Province of Nova Scotia was in effect as compared to the town tariff rates in Ontario and Quebec.

These rates were established because of the fact that the average haul was longer, the major portion of the shipments less-than-carload, which took a higher classification than carload, and to permit distribution from town tariff points in Nova Scotia.

These town tariff rates have been advanced to the basis of the Ontario and Quebec schedules. The following table gives the percentage advances comparing the present rates to those in effect in 1907 when the first schedule "A" rates were promulgated by the railway Commissioners:

### Town Tariff Basis 1926 as Compared with 1907.

| First Class Rates in Cents per 100 Lbs. |                           |      |                    |                         |      |                    |                       |
|---|---------------------------|------|--------------------|-------------------------|------|--------------------|-----------------------|
|   | Ontario's<br>Schedule "A" |      |                    | I. C. R.<br>Town Tariff |      |                    | I. C. R.<br>1907      |
|   |                           |      | 1926<br>to<br>1907 |                         |      | 1926<br>to<br>1907 | of<br>Ontario<br>1907 |
|   | 1907                      | 1926 | 1907               | 1907                    | 1926 | 1907               |                       |
| 10 miles . . . . .                      | 10                        | 24   | 240%               | 10                      | 24   | 240%               | 100%                  |
| 20 " . . . . .                          | 14                        | 25   | 179%               | 12                      | 25   | 208%               | 86%                   |
| 30 " . . . . .                          | 16                        | 32   | 200%               | 14                      | 32   | 229%               | 87%                   |
| 40 " . . . . .                          | 18                        | 36½  | 203%               | 16                      | 36½  | 228%               | 89%                   |
| 50 " . . . . .                          | 20                        | 40   | 200%               | 18                      | 40   | 222%               | 90%                   |
| 75 " . . . . .                          | 26                        | 50   | 192%               | 24                      | 50   | 209%               | 92%                   |
| 100 " . . . . .                         | 30                        | 54   | 180%               | 28                      | 54   | 192%               | 93%                   |
| 125 " . . . . .                         | 32                        | 61½  | 192%               | 31                      | 61½  | 198%               | 97%                   |
| 150 " . . . . .                         | 34                        | 65   | 191%               | 31                      | 65   | 210%               | 91%                   |
| 175 " . . . . .                         | 36                        | 68   | 190%               | 33                      | 68   | 209%               | 92%                   |
| 200 " . . . . .                         | 36                        | 68   | 190%               | 36                      | 68   | 190%               | 100%                  |
| 225 " . . . . .                         | 38                        | 72   | 189%               | 38                      | 72   | 189%               | 100%                  |
| 250 " . . . . .                         | 40                        | 75½  | 189%               | 38                      | 75½  | 199%               | 95%                   |
| 275 " . . . . .                         | 42                        | 79   | 188%               | 38                      | 79   | 208%               | 91%                   |
| 300 " . . . . .                         | 44                        | 83   | 189%               | 40                      | 83   | 208%               | 90%                   |
| 325 " . . . . .                         | 46                        | 86½  | 188%               | 42                      | 86½  | 206%               | 91%                   |
| 350 " . . . . .                         | 46                        | 86½  | 188%               | 42                      | 86½  | 206%               | 91%                   |
| 375 " . . . . .                         | 48                        | 90   | 188%               | 44                      | 90   | 205%               | 92%                   |
| 400 " . . . . .                         | 50                        | 94   | 188%               | 44                      | 94   | 214%               | 88%                   |
| 425 " . . . . .                         | 52                        | 97   | 187%               | 44                      | 97   | 221%               | 85%                   |
| 450 " . . . . .                         | 54                        | 100½ | 190%               | 44                      | 100½ | 229%               | 81%                   |
| 475 " . . . . .                         | 54                        | 100½ | 190%               | 46                      | 100½ | 219%               | 85%                   |
| 500 " . . . . .                         | 56                        | 104  | 186%               | 46                      | 104  | 226%               | 82%                   |
| 525 " . . . . .                         | 58                        | 108  | 186%               | 46                      | 108  | 235%               | 80%                   |
| 550 " . . . . .                         | 58                        | 108  | 186%               | 46                      | 108  | 235%               | 80%                   |

It will be noted from this that where the Ontario basis has been advanced up to 200%, the rates applicable to the province of Nova Scotia have been advanced 235%.

There appears to be no change in the relative traffic conditions of the province of Nova Scotia and the central provinces that would warrant this higher advance in Nova Scotia.

### Standard Mileage Rates.

A lower schedule of standard mileage rates was also in effect prior to 1912 than was in effect in the provinces of Ontario and Quebec. These were established for the same reasons as outlined in paragraph dealing with town tariff rates (page 122), plus the fact that the greater portion of the traffic is of a heavy, low-class character demanding special treatment.

These rates have also been advanced to the basis of the Ontario and Quebec standard. The following table indicates the percentage advances in the standard mileage basis:

Comparison of Percentage Increases in Standard Mileages, 1907-1926.

|          | Ontario |      |                 | I. C. R. Territory |      |                 | %<br>I.C.R.<br>to<br>Ontario |
|----------|---------|------|-----------------|--------------------|------|-----------------|------------------------------|
|          | 1907    | 1926 | %<br>of<br>1907 | 1907               | 1926 | %<br>of<br>1907 |                              |
| 10 miles | 10      | 24   | 240%            | 10                 | 24   | 240%            | 100%                         |
| 20 "     | 16      | 25   | 156%            | 12                 | 25   | 208%            | 75%                          |
| 30 "     | 20      | 32   | 160%            | 14                 | 32   | 228%            | 70%                          |
| 40 "     | 24      | 40   | 166%            | 16                 | 40   | 250%            | 66%                          |
| 50 "     | 26      | 43   | 166%            | 18                 | 43   | 233%            | 69%                          |
| 75 "     | 32      | 54   | 169%            | 24                 | 54   | 225%            | 66%                          |
| 100 "    | 36      | 65   | 181%            | 28                 | 65   | 232%            | 78%                          |
| 125 "    | 38      | 68   | 180%            | 32                 | 68   | 213%            | 84%                          |
| 150 "    | 40      | 72   | 180%            | 34                 | 72   | 212%            | 85%                          |
| 175 "    | 44      | 83   | 189%            | 36                 | 83   | 230%            | 82%                          |
| 200 "    | 46      | 86½  | 188%            | 36                 | 86½  | 232%            | 78%                          |
| 225 "    | 50      | 90   | 180%            | 38                 | 90   | 235%            | 76%                          |
| 250 "    | 52      | 94   | 181%            | 38                 | 94   | 247%            | 73%                          |
| 275 "    | 56      | 100½ | 178%            | 38                 | 100½ | 264%            | 68%                          |
| 300 "    | 60      | 108  | 180%            | 40                 | 108  | 270%            | 66%                          |
| 325 "    | 64      | 115  | 180%            | 42                 | 115  | 276%            | 66%                          |
| 350 "    | 66      | 119  | 180%            | 42                 | 119  | 286%            | 63%                          |
| 375 "    | 68      | 122  | 180%            | 44                 | 122  | 277%            | 65%                          |
| 400 "    | 70      | 125½ | 179%            | 44                 | 125½ | 285%            | 63%                          |
| 425 "    | 72      | 130  | 180%            | 44                 | 130  | 293%            | 61%                          |
| 450 "    | 76      | 137  | 180½%           | 44                 | 137  | 311%            | 58%                          |
| 475 "    | 78      | 140  | 180%            | 46                 | 140  | 304%            | 59%                          |
| 500 "    | 80      | 144  | 180½%           | 46                 | 144  | 313%            | 58%                          |
| 525 "    | 82      | 147½ | 180½%           | 46                 | 147½ | 320%            | 56%                          |
| 550 "    | 84      | 150½ | 179%            | 48                 | 150½ | 313%            | 57%                          |

It will be noted from the above comparisons that while rates in Ontario and Quebec are from 156% to 181% higher at the present time, the rates in the province of Nova Scotia for the same services have advanced from 208% to as high as 320%.

There also appears to be no change in the traffic conditions in Nova Scotia to warrant this advance to the central Canadian basis.

The equalizing of the town tariff and standard mileage rates in the province of Nova Scotia with those in the more densely populated areas of the central provinces has resulted in a marked tendency to ignore points in Nova Scotia as distributing centres and make all shipments from the central provinces to maritime destinations direct.

#### **Local Commodity Rates.**

When the Intercolonial Railway was operated as a separate system, rates on traffic for local distribution were made that had no relationship to rates in other parts of Canada and *vice versa*. These rates were made for the purpose of moving the traffic and were promulgated on short notice from the head office of the system, then at Moncton, N. B.

The present tendency is to refrain from issuing rates of this nature owing to the possibility of them being attacked by shippers in other parts of Canada. The rates now have to be issued through the Tariff Bureau of the Canadian National at Montreal.

There is also the tendency to apply an equal charge for the movement of similar traffic throughout the whole system without regard to the peculiar requirements of any one section of the country, as outlined in the opening paragraphs of this memorandum.

#### **Local Export Rates.**

Special rates on export traffic originating in Nova Scotia were also made on short notice in order to produce and move traffic, and had no bearing on the rates that might be in effect for similar services in other parts of the Dominion.

The same tendency is apparent with this phase of the rate situation as is indicated under heading "Local Commodity Rates" in preceding paragraphs, *i. e.*, to apply equal rates to Nova Scotia traffic as are in effect in other parts of Canada, regardless of whether the conditions are similar or not.

#### **Through Export Rates From Central and Western Canada.**

The export rates to the port of Halifax from central and western Canada are predicated on the export rates to other competitive North Atlantic ports, such as Boston and Portland.

There appears to be no major change in this situation; the export rates to Halifax appear to be, on the whole, fairly competitive.

These rates are made for the purpose of encouraging the movement of export traffic through the port of Halifax. They are essential for the proper development of the port, creating diversified steamship tonnage and steamship services from the port, as frequent sailings as possible, affording maritime exporters steamship service from Halifax and access to the markets of the world.

The disadvantages of the port of Halifax might be summarized as follows:

1. Shorter ocean distances to Europe, resulting in longer rail-haul to seaboard.
2. Location of import commission houses at other ports.
3. Lack of commercial representatives of foreign countries.
4. Lack of commercial representatives of foreign buyers.
5. Volume of import traffic consumed locally.
6. Availability of diversified ocean space and distress tonnage.
7. Control of ocean space and rate situation of the port from other centres.
8. Location of export offices of large exporters.
9. Availability of consignment stocks of heavy commodities awaiting shipment.
10. Lack of tonnage offering for twelve months of the year, making Halifax primarily a winter port.



### Import Rates for Local Consumption.

A schedule of rates on import traffic was also made, which assisted the importer in Nova Scotia to import products and distribute the same in the more densely populated areas of Canada, in competition with the ports of Montreal and U. S. North Atlantic ports.

These rates were made for the same purposes that are outlined under heading "Export Rates" (page 124) plus the necessity of endeavouring to arrange for a return tonnage for boats carrying export traffic from Halifax.

These import rates have not been protected. At the present time, generally speaking, the North Atlantic conference has applied equal ocean rates to and from all North Atlantic ports. This makes it just as cheap, so far as ocean rates are concerned, to ship via the port of Montreal, and has resulted in Montreal being the more attractive route. In some cases, it pays the importer to take delivery of his commodities in the summer months at Montreal and carry them over for distribution during the winter months when that port is closed. A typical example of this might be given of the rates on molasses, the rail rates having been advanced as high as 300%, whereas there has been no change in the ocean rates to Halifax and Montreal.

### Arbitraries Over Montreal Rates for Shipment to Central and Western Canada.

A system of arbitraries over the Montreal rates was made and sustained for many years on traffic consigned to points west of Montreal from points in Nova Scotia. These arbitraries were based on what the traffic could bear, and not on the cost of service. They were not interfered with until 1916.

The following table indicates the advances that were made in these arbitraries:

#### All Rail Arbitraries in Cents per 100 Lbs. Over Montreal, Que.

| <i>Effective</i>               | <i>From</i>            | To Winnipeg, Man.<br><i>Classes in Cents per 100 Lbs.</i> |     |     |     |     |     |     |     |   |     |
|--------------------------------|------------------------|---|-----|-----|-----|-----|-----|-----|-----|---|-----|
|                                |                        | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9 | 10  |
| Jan. 1, 1902<br>(Not complete) | (1) Halifax, N. S..... | 22  | 20  | 17  | 14  | 11  | 11  | 11  | 11  | — | 11  |
| Dec. 23, 1907                  |                        |   |     |     |     |     |     |     |     |   |     |
| Mar. 10, 1908                  | Halifax, N. S.....     | 22  | 20  | 17  | 14  | 11  | 11  | 11  | 11  | — | 11  |
| Aug. 13, 1910                  | Halifax, N. S.....     | 22  | 20  | 17  | 14  | 11  | 11  | 11  | 11  | — | 11  |
| April 1, 1912                  | Halifax, N. S.....     | 22  | 20  | 17  | 14  | 11  | 11  | 11  | 11  | — | 11  |
| Sept. 1, 1914                  | Halifax, N. S.....     | 22  | 20  | 17  | 14  | 11  | 11  | 11  | 11  | — | 11  |
| Sept. 1, 1917                  | Halifax, N. S.....     | 26  | 23  | 20  | 16  | 13  | 13  | 12  | 11  | — | 11  |
| April 1, 1918                  | Halifax, N. S.....     | 28  | 25½ | 22  | 17½ | 14  | 14½ | 13½ | 12  | — | 12  |
| Aug. 15, 1918                  | Halifax, N. S.....     | 35½   | 32  | 27½ | 22  | 17½ | 18  | 17  | 15  | — | 15  |
| Sept. 17, 1920                 | Halifax, N. S.....     | 50  | 44½ | 38½ | 31  | 24½ | 25  | 24  | 21  | — | 21  |
| Jan. 1, 1921                   | Halifax, N. S.....     | 48  | 43½ | 37  | 30  | 23½ | 24  | 23  | 20  | — | 20  |
| Dec. 1, 1921                   | Halifax, N. S.....     | 44½   | 40  | 34½ | 27½ | 22  | 22½ | 21  | 18½ | — | 18½ |
| April 10, 1922                 | Halifax, N. S.....     | 44½   | 40  | 34½ | 27½ | 22  | 22½ | 21  | 18½ | — | 18½ |
| Aug. 1, 1922                   | Halifax, N. S.....     | 28  | 25  | 21  | 18  | 14  | 13  | 11  | 12  | — | 11  |

As these arbitraries were directly competitive arbitraries between manufacturers, they should never have been advanced.

The advancing of these arbitraries means that the maritime shipper is forced to absorb the whole advance in his costs.

### Rates to New England Points.

The rates from points in Nova Scotia to points in the New England states are very much higher than from points in Ontario, even though the mileages from Nova Scotia points are comparable. A few rates and mileages are given below to indicate the present situation:

#### All-rail Class Rates in Cents per 100 lbs. from Ontario Points to Boston, as compared with Equidistant Maritime Points to Boston

| From                        | Mileage | 1    | 2   | 3   | 4   | 5   | 6   | R<br>25 | R<br>26 |
|-----------------------------|---------|------|-----|-----|-----|-----|-----|---------|---------|
| Truro, N. S. . . . .        | 669     | 126½ | 109 | 88½ | 71  | 50½ | 41½ | 92½     | 71      |
| Woodstock, Ontario. . . . . | 748     | 118  | 103 | 78½ | 55½ | 47  | 39  | 87½     | 63      |
| Difference. . . . .         |         | 8½   | 6   | 10  | 15½ | 3½  | 2½  | 5       | 8       |
| Mulgrave, N. S. . . . .     | 790     | 150  | 132 | 104 | 80½ | 66  | 56½ | 112     | 83      |
| London, Ontario. . . . .    | 775     | 118  | 103 | 78½ | 55½ | 47  | 39  | 87½     | 63      |
| Difference. . . . .         |         | 32   | 29  | 25½ | 25  | 19  | 17½ | 24½     | 20      |
| Halifax, N. S. . . . .      | 733     | 126½ | 109 | 88½ | 71  | 50½ | 41½ | 92½     | 71      |
| Brantford, Ontario. . . . . | 739     | 118  | 103 | 78½ | 55½ | 47  | 39  | 87½     | 63      |
| Difference. . . . .         |         | 8½   | 6   | 10  | 15½ | 3½  | 2½  | 5       | 8       |

As the New England market is one that can readily absorb a large portion of the products of the Maritime Provinces and has been termed the "logical market" of the Maritimes, these rates should be properly adjusted. The present rate structure tends to make the province of Ontario the price-setting shipper on competitive commodities.

### Standard Freight Classification.

While the Canadian freight classification has been adopted for the Maritime Provinces for a great many years, the lower standard of rates generally offset this. These are outlined under Town Tariff and Standard Mileage rates (pages 122 and 123).

We have now one standard freight classification and one standard of town tariff and standard mileage schedules in Eastern Canada. While a committee have been working for 13 years in the U. S. A. in an endeavour to consolidate the freight classification of the U. S. A., they were able to report to the Interstate Commerce Commission in 1922 that they had been successful in standardizing only 38% of L. C. L. ratings and 19% of carload ratings. There must also be taken into consideration the fact that there are many different town tariffs, standard mileage and commodity rate structures in existence in the U. S. A.

This again clearly indicated the danger and the impracticability of a nation-wide standardization cost for freight services.

### Import and Export Ocean Rates.

The import and export ocean rates via the port of Halifax are governed by the North Atlantic conference. A few years ago, the rates applicable to all North Atlantic ports on both

import and export traffic were equalized. This was done without regard to the difference in mileages between the different North Atlantic ports and Continental or U. K. ports. The fact that Halifax has the advantage in shorter ocean mileages to the U. K. and the Continent is, under present conditions, a disadvantage, as there is no allowance made for the steaming time saved in the ocean rates.

### **Effect of the Elimination of Competitive Services in Nova Scotia.**

This feature of the transportation problem of the province of Nova Scotia probably brings into concrete form more forcibly than any other the inevitable tendency on the part of trans-continental systems to create, as far as possible, a complete monopoly of the territory it serves.

The gateways of Saint John and Ste. Rosalie Junctions for the interchange of traffic, are vital to the welfare and the maintenance of services to the shippers of Nova Scotia.

These gateways, situated as they are, control the situation with regard to the interchange of traffic between the C. N. R. and the C. P. R.

In other words, previous to the consolidation of the Canadian National Railways into one system, the shippers of the province of Nova Scotia had several alternative routes for west-bound and east-bound traffic. For example, a shipper located at Halifax or Sydney, and shipping to the West, could route his traffic via the following routes:

1. Via I. C. R. to Saint John, C. P. R. to destination.
2. Via I. C. R. to Ste. Rosalie, C. P. R. to destination.
3. Via I. C. R. to Montreal, G. T. R. to destination.
4. Via I. C. R. to Montreal, C. N. R. to destination.
5. Via I. C. R. to Montreal, C. P. R. to destination.
6. Via I. C. R. to Levis, Transcontinental to destination.
7. Interchange also at Fort William and Port Arthur.

The alternative gateways at these two points were opened about 1889 for the interchange of traffic for the following reasons:

1. To permit of competitive freight services in the province of Nova Scotia.
2. To permit of Nova Scotia shippers using the shortest mileage to central and western Canada.
3. To permit the use of alternative outlets from the Maritime Provinces in the event of either route being congested, tied up on account of wrecks, snow storms, etc.
4. To permit the C. P. R. to enter the territory served by the I. C. R., to solicit traffic and purchase supplies from manufacturers and producers in Nova Scotia.

The interchange of traffic at Saint John and Saint Rosalie Junctions came into operation in 1890, coinciding with the entry of the C. P. R. into Saint John from Montreal. This arrangement for the interchange was accomplished by means of an agreement with the Minister of Railways.

The agreement of 1890 was terminated in 1898, about the time the Intercolonial Railway system extended its lines into Montreal. An informal arrangement was made, however, a year later, under which joint through rates were provided by either Saint John or Saint Rosalie. This arrangement continued in effect, without interruption, until 1921. The consolidated system now known as the Canadian National Railways began then to take measures to eliminate this competition from their territory. The following eliminations will serve to show the major changes that have been made:

1. Pipe, sewer or drain, and pipe fittings. Plaster and Terra Alba. stone, rough or partly dressed, from Nova Scotia stations to stations in Quebec eliminated Jan. 1st, 1921 by C. N. R. tariff C. D. 7.
2. Fish from Nova Scotia points to Ontario stations eliminated January 1st, 1921, by C. N. R. tariff C. A. 8.
3. Hay and straw from Nova Scotia points to points in the United States eliminated April 3rd, 1923, by C. N. R. tariff C. H. 31.
4. Iron and steel articles eliminated August 1st, 1922, by C. N. R. tariff C. I. 8.
5. Plaster eliminated August 1st, 1922, by C. N. R. tariff C. U. 10.
6. Potatoes eliminated May 22nd, 1922, by C. N. R. tariff C. V. 2.
7. Woodpulp eliminated July 1st, 1921, by C. N. R. tariff C. P. 10, and C. P. 20, January 25th, 1921.
8. Various commodities to United States points eliminated January 2nd, 1922, by C. N. R. tariff C. U. 11.
9. Import merchandise to United States points eliminated July 6th, 1921, by C. N. R. tariff I. 9.
10. Import merchandise to Canadian points eliminated May 22nd, 1922, by C. N. R. tariff I. 10.
11. All traffic moving under class rates eliminated November 2nd, 1925, by C. N. R. tariff 0.55.
12. Lumber and forest products eliminated November 2nd, 1925, by C. N. R. tariff C. F 209.

With regard to eliminations numbers 11 and 12, a formal complaint was filed with the Board of Railway Commissioners and these tariffs, in so far as they eliminated the alternative routings were suspended, pending a hearing of the Board. This hearing has been held, but no decision given as yet. The tariffs, however, remain in suspension.

The Chairman of the Board of Railway Commissioners in a judgment (Vol. 12, Board's Judgments, Orders, etc., page 12) of June 30th, 1922, in referring to the Saint John and Saint Rosalie gateways, stated as follows:

"The Saint John gateway provides via the C. P. R. the short mileage to Montreal; from Halifax and other points this route and gateway should be maintained to shippers (with the option of Saint Rosalie) so that the advantage of the short constructive mileage of the C. P. R. will continue to function as a rate factor."

It will be noted that this opinion of the Chairman of the Board of Railway Commissioners was given in 1922, some five years after the C. N. R. was created as a transcontinental railway.

Even though the Commission have indicated their opinion with regard to the elimination of these gateways, the C. N. R. have steadily continued to eliminate the routing on practically all products of the province of Nova Scotia. They have even gone so far as to instruct their agent at Saint Rosalie to refuse to turn over traffic, regardless of the suspension order of the Board on items numbers 11 and 12, or the shipping instructions of the shippers.

By the elimination of the import and export traffic via Saint John and Saint Rosalie Junc-



tions, the port of Halifax is now entirely confined to the assistance of the Canadian National traffic department for the encouragement of traffic. The Canadian Pacific have no services from Halifax, because of the fact that they cannot participate in the rail haul to and from Halifax to inland points. It is only a natural tendency on their part to encourage all traffic to the port of Saint John, and failing this, to divert the same to Boston, Portland, New York, or some other port where they will at least participate in all or part of the rail haul.

The same tendency is apparent with regard to the purchasing of supplies by the C. P. R. It is only reasonable to suppose that the Canadian Pacific will, wherever possible, place their orders with firms who are in a position to give them traffic, and also buy their materials and supplies from firms who can give them a portion of the haul on their purchases.

The shippers of the province of Nova Scotia are now held down to one route when shipping west. This applies also to shipments originating on the Dominion Atlantic, unless routed by Digby and Saint John, when cargo must be broken. The element of competitive routing is done away with and all competition between carriers for service in handling the west-bound traffic of the shippers of Nova Scotia has been eliminated.

It is quite true that one of the first principles of handling traffic is to ensure that the line carrier, or the carrier originating the traffic, should be entitled to the longest haul possible. This would be quite in order were there more than one railway competing for the traffic of the province of Nova Scotia.

One of the main reasons why the New England shippers are opposed to the amalgamation of the railways of the United States into trunk line roads is the very fact that they see, with the consolidation, the elimination of many of the gateways they now enjoy. The president of the Boston & Maine Railway in testimony before the Interstate Commerce Commission on May 24th, 1923 (Record pp 8030-1) stated as follows:

"The Boston and Maine has a substantial interchange with the Canadian Pacific direct and with the Grand Trunk, now the Canadian National, through the Central Vermont. New England traffic is regarded as attractive by both these lines, and a high quality of service is maintained through these northern gateways, which has probably been quite as effective in maintaining the popularity of these routes as have the west-bound differential rates.

"IN ANY EVENT, AND ANY PLAN WHICH MAY BE ADOPTED, THE IMPORTANCE OF THESE ROUTES NOT ONLY TO NEW ENGLAND BUT TO THE BOSTON AND MAINE WILL, OF COURSE, BE RECOGNIZED."

The President of the New York, New Haven and Hartford Railway also went on record at the same hearing of the Interstate Commerce Commission in Washington, as opposing the consolidation because of the elimination of competitive gateways. He stated as follows (p. 8141):

"Assuming consolidation between the New Haven and a trunk line, this would inevitably result in an attempt to control the movement of traffic and restrict it as against other gateways and other routes."

Privileges of shippers, hereto freely enjoyed, would become restricted in part by the provisions of the Interstate Commerce Act, permitting a system to refuse to short-haul itself, and in addition, shippers would gradually find themselves under new influences. These tendencies could not be other than restrictive, in the tendency to secure all traffic possible for the Consolidated system.

The President of the Bangor and Aroostook at the same hearing (p.8229) stated as follows:  
 " . . and with the New England public having at the present time at least ten gateways to

and from the west, it is a natural assumption that with the number of outlets decreased, and to some extent a monopoly substituted, the service will not be as good as it is under the present conditions.

The Canadian National system have also forced the competition of the Dominion Express from the province of Nova Scotia. This was also a competitive service which the Nova Scotia shippers enjoyed for years, and until the time that the C. N. R., as it is constituted today, was created.

The competitive services in telegraph business also appears on the way to elimination from all points in Nova Scotia, with the exception of stations on the Dominion Atlantic. The Canadian Pacific, when first building their telegraph lines from Saint John to Halifax and North to the cable station at Canso, placed their poles outside of the right-of-way of the Intercolonial. When the telegraph line was reconstructed in 1907, it was found desirable to place the poles inside the right-of-way and accordingly this was done with no charge for rental. Now the C. N. R. are endeavoring to charge the C. P. R. a rental, which on the surface would indicate they are giving the C. P. R. notice to withdraw from C. N. R. territory in the Maritimes. Thus one more competitive service, closely interlocked with traffic services, will in all probability be withdrawn.

The C. P. R. also had at one time running rights over the Intercolonial to Halifax. These have also been withdrawn and no through service is in effect today from Montreal via Saint John to Halifax. This applies to passenger, freight and express services.

#### **Effect of Reinstatement of Crow's Nest Rates.**

In 1897 the Canadian Pacific Railway were desirous of constructing a railway from Lethbridge, Alberta, via the Crow's Nest Pass to Nelson, B. C.

A subsidy of \$11,000 per mile towards the construction of this road was granted by the Dominion Government, with a limit of \$3,630,000 payable according to the terms of the Act passed at that time (60-61 Vic., cap. 5, "An Act to authorize a subsidy for the railway company towards the construction of a railway from Lethbridge, in the province of Alberta, through the Crow's Nest Pass.")

In return for this subsidy, the Canadian Pacific agreed to certain maxima rates. The more important of these rates were the rates from the Prairies to Fort William on grain.

The Crow's Nest basis of rates was brought into effect under this agreement in 1898.

The rates established under the Crow's Nest agreement at that time did not appear to conflict with rate schedules and structures in effect in 1898.

In 1903, the Board of Railway Commissioners for Canada was created. This Board replaced the Railway Committee of the Privy Council who had functioned previously.

By 1903 the rates in effect were slightly lower than the maxima established under the Crow's Nest agreement.

It was generally conceded that the Board of Railway Commissioners had full power, from the time of their inception, to disregard all agreements of any kind that might result in rate discriminations or a disruption of a rate schedule that appeared fair and reasonable in the opinion of the Board.

By reason of war conditions, the increased cost of service, and particularly on account of the McAdoo award, the rates covered by the Crow's Nest agreement were much lower than the rates found fair and reasonable by the Railway Commission.

In 1919, the Railway Act was consolidated and a section (Section 325, ss 5) was introduced which definitely gave the Railway Commission full authority to disregard all agreements found to conflict with the rate structure of Canada. This section terminated after three years.

In 1922, a special committee of the House of Commons, appointed to enquire into transportation costs, recommended certain legislation, and as a result the Railway Act was amended. (Cap. 41, 12-13 Geo. V.)

This amendment, while continuing in effect the then present rates on all other commodities for one year, arbitrarily ordered the reinstatement of the Crow's Nest basis of rates on grain and had them brought back into effect.

In 1923 the provisions of the Railway Act amendment of 1922 was extended for another year.

In 1924 the legislation of 1919, 1922, 1923 was allowed to lapse and the rates under the Crow's Nest basis became effective.

As these rates only applied to stations then in existence in 1897, the effect of the reinstatement of the Crow's Nest rates was a chaotic upheaval of the whole rate structure of Canada.

Literally hundreds of complaints were filed with the Board of Railway Commissioners because of the discriminations created.

The Board of Railway Commissioners issued a judgment and order in 1924 (General Order No. 408 October 14th, 1924) disallowing the Crow's Nest basis of rates on the ground that they were conflicting with present rate structures and creating discrimination in violation of the Railway Act. They also found the rates in effect before the reduction to the Crow's Nest basis on grain fair and reasonable.

A test case was taken to the Supreme Court, who ruled that the Crow's Nest agreement superseded the Railway Act.

The Governor-in-Council immediately ordered a general investigation of the rate structure of Canada, and at the same time recommended that legislation be passed giving the Railway Board complete and unquestionable power to disregard all agreements, regardless of how or in what manner they were made, with one exception, i. e., that the rates on grain from the Prairies should be on the basis of the Crow's Nest, and further, that these rates should apply to all points not in existence when the Crow's Nest Act was passed, and by legislation assured the grain growers of the West that these rates would apply "from all points on all lines of railway west of Fort William to Fort William and Port Arthur over all lines now or hereafter constructed by any company subject to the jurisdiction of Parliament." (Cap. 52, 15-16 Geo. V.)

The province of British Columbia immediately applied to the Board to have the Crow's Nest basis of rates apply westward to the Pacific Coast, charging discrimination against Vancouver. This was ordered by the Board in September, 1925.

While the rate adjustments on grain, in cents per one hundred pounds, do not appear large after a survey of the rates, the effect on the net earnings of the Canadian Railways is enormous.

In evidence before the Board of Railway Commissioners, March 24th, 1926, Mr. F. J. Watson, freight traffic manager of the Canadian National Railways, made the following statement (Vol. 461, page 6266):

"I would like to go on record to the effect that we do not consider the Crow's Nest basis of rates is a profitable one—I can establish it by making the statement now that the grain west of Fort William is handled at a loss on the Crow's Nest basis, and that if we had received the



same revenue as the lines operating immediately south of the line, our net earnings would have been augmented anywhere from twenty to twenty-five million dollars per annum."

Again, on page 6267, in answer to a question from the Deputy Chief Commissioner, Mr. Watson further stated:

"Well, I can state for the years 1923 and 1924 our loss was approximately \$6,000,000 per year."

This covers the operation of the Canadian National lines only in western Canada. No evidence is available as to the losses of the Canadian Pacific by reason of the reinstatement of the Crow's Nest grain rates by Parliament; but as their tonnage into Fort William and Port Arthur is equal, if not higher than the Canadian National, it would be fair to estimate the losses at double the figures quoted by the Canadian National.

It is therefore plainly evident that with the grain rates out of line with the general rate structure of Canada, the railways forced into carrying the traffic at a loss, and the Canadian National still operating at a deficit on its total operations, the possibilities of downward rate adjustments for the province of Nova Scotia appear very remote.

All evidence given by those in authority, and particularly the opinions of members of the Railway Commission, establish without doubt that no regard was paid to the cost of service, value of the product, what the traffic might bear, or any other of the many angles of building a rate structure, when parliament, through the legislation of 1925, singled out the western grain grower for special attention, and by legislation reinstated the costs of transportation on his grain to the 1897 basis and guaranteed him that these would be the maxima rates, regardless of what the future might bring forth in the way of increased cost of services, enhanced value of grain or economic changes of any kind.

The effect of the reinstatement of the Crow's Nest rates west of Fort William and Port Arthur to the export traffic of grain through the port of Halifax is dealt with on page 136.

The effect of parliamentary interference in rate-making and railroad operation in Canada during the past few years has been far from favourable to the shippers of Nova Scotia and has created a precedent by reason of the legislation of 1925 that might have far-reaching effects. There is every right for any large political group to demand and receive for their constituents, the basis of rates they enjoyed in 1897. There is every right for the province of Nova Scotia to demand and receive the basis of rates the shippers of that province enjoyed in 1897, guaranteed by legislation forever, without regard to conditions as they are now, what the traffic might bear or the earnings of the railway companies. The precedent is already on the statute books of the Dominion in no uncertain language.

#### Operating Losses on Freight Traffic—Maritime Section.

The published figures of the operating deficit of the Atlantic region of the C. N. R. are always an annual source of controversy.

For example: the operating deficit of the Atlantic region, freight and passenger, as compiled by the books of the Company, indicate that this portion of the system has made the following losses annually since 1923:

|           | Freight      | Passenger   | Total       |
|-----------|--------------|-------------|-------------|
| 1923..... | \$ 3,460,000 | \$1,761,000 | \$5,221,000 |
| 1924..... | 1,981,000    | 1,563,000   | 3,544,000   |
| 1925..... | 1,416,000    | 1,759,000   | 3,175,000   |



For purposes of analyzing how this deficit has been created it is interesting to ascertain whether or not the Maritime shippers are benefiting entirely from the low rates in effect. In the following partial analysis, the operating deficit of the calendar year 1925 is taken. It is also interesting to note that the last three years have seen substantial reductions in the operating deficit of this region.

A very substantial percentage of the revenue ton mile movement of the Atlantic region of the C. N. R. represents the movement of grain and products at an approximate rate of 63 cents per ton mile as compared with the average of 1.090 cents per ton mile for the average of the region. This low average on grain and products, which goes a long way towards lowering the general average of the region, benefits shippers in other parts of Canada, the western grain grower in particular.

It is also interesting to compare the approximate average ton mile revenue received on some of the larger movements of the products of the Maritime Provinces with that of grain and products and the general average ton mile revenue:

|                      | Average revenue<br>per ton mile | Average of<br>grain and products | Average of<br>Atlantic Region |
|----------------------|---------------------------------|----------------------------------|-------------------------------|
| Hay.....             | 3.36                            | ....                             | ....                          |
| Bituminous Coal..... | .94                             | ....                             | ....                          |
| Lumber.....          | .95                             | ....                             | ....                          |
| Livestock.....       | 1.88                            | ....                             | ....                          |
| Ores.....            | 1.19                            | .63                              | 1.090                         |

Another angle of the operating deficit of the Atlantic region of the Canadian National is in the relationship between the operating ratio and the volume of export traffic handled through the Region. The total export and import traffic moving through the port of Halifax monthly for the last two years and the operating ratios monthly for the same period are as follows:

| Month          | 1924              |                   |                    | 1925              |                   |                    |
|----------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|                | Import<br>Tonnage | Export<br>Tonnage | Operating<br>Ratio | Import<br>Tonnage | Export<br>Tonnage | Operating<br>Ratio |
| January.....   | 3,460             | 13,681            | 125.86             | 6,549             | 18,427            | 128.13             |
| February.....  | 3,696             | 18,024            | 131.52             | 4,216             | 19,841            | 125.31             |
| March.....     | 5,973             | 17,464            | 107.66             | 9,878             | 29,718            | 112.23             |
| April.....     | 4,735             | 18,327            | 108.78             | 8,110             | 19,336            | 109.84             |
| May.....       | 1,196             | 4,829             | 104.74             | 2,267             | 6,218             | 127.96             |
| June.....      | 393               | 4,287             | 126.62             | 4,104             | 5,622             | 135.97             |
| July.....      | 2,470             | 4,062             | 131.16             | 1,882             | 3,677             | 113.45             |
| August.....    | 1,713             | 3,671             | 119.88             | 1,909             | 4,755             | 114.25             |
| September..... | 1,714             | 4,202             | 123.06             | 772               | 4,866             | 122.43             |
| October.....   | 1,046             | 8,262             | 111.28             | 2,537             | 8,234             | 104.57             |
| November.....  | 2,368             | 9,172             | 109.51             | 1,794             | 9,812             | 109.34             |
| December.....  | 3,301             | 15,054            | 104.73             | 4,175             | 26,067            | 100.46             |

The export tonnage moving through the Atlantic region to all ports is not available, but the traffic moving through the port of Halifax will serve as an indication.

It will be seen from the table above that the larger volume of import and export traffic handled was during the time that the operating ratios of the Atlantic region were highest. The

high ratios during May, June and July are directly traceable to track maintenance, a work that must of necessity be concentrated during the summer months.

The same conditions would apply to the operations of the Canadian Pacific in the Maritimes.

There must also be taken into consideration the fact that the Atlantic region has very heavy terminal charges to bear. The divisions of revenue between the different regions do not make any allowance for this. The terminals at other chief Canadian ports outside the Maritimes are owned and operated by the Dominion Government. As terminal charges are a very heavy end of transportation costs, this should be considered.

Previous to the Atlantic region being created and the Intercolonial being absorbed into this system, the car ferry operating between the mainland and Borden, P. E. I., was directly under the Dominion Government. This car ferry was originally put into service by the Dominion Government as an undertaking on their part under Confederation. Any losses that might be made by the operation of the ferry were carried by the Government and not charged to the Intercolonial. Since the C. N. R. came into existence, however, the operation of this service has been passed to them. The operating deficit of the ferry during 1925 was \$250,000.

Another angle of the railway situation in the Maritime Provinces that must not be lost sight of is the reason for the construction of the Intercolonial Railway by the route it was finally built and its effect on the operation of the road.

The following extract from the official history of the construction of the Intercolonial Railway throws some light on this angle of the situation:

EXTRACTS FROM "A HISTORY OF THE INTERCOLONIAL RAILWAY"  
WRITTEN BY SIR SANDFORD FLEMING, CHIEF ENGINEER IN  
CHARGE OF CONSTRUCTION AND PUBLISHED BY THE  
DOMINION GOVERNMENT, 1876. (Chapter 6, page 77.)

The location of the line being necessarily confined to British territory, it was forced to make a considerable detour, to avoid entering the State of Maine. Had no national considerations presented themselves, or had the boundary been laid down according to the treaty of 1783, or even in accordance with the settlement proposed, and to some extent pressed, by the United States some years prior to the Ashburton Treaty, there would have been no difficulty in securing a direct eligible route.

The railway would, in this case, in all probability, have followed the general course of the route surveyed by Captain Yule, in 1857, for the St. Andrews and Quebec Railway, as far as the neighborhood of the River St. John, but with such modifications and improvements as further surveys might have suggested. Owing to certain political influences Captain Yule was bound by his instructions to pass to the north of Mars Hill. Thus his line was deflected out of the direct course to the seaboard; and it is highly probably that untrammelled he would have followed a shorter route. It is quite evident, from an inspection of the map, and from the natural features of the country, that lines of railway might have projected, so as to bring Montreal within 380 miles of St. Andrews, 415 miles of Saint John, and 650 miles of Halifax; and the distance from Quebec to St. Andrews need not have exceeded 250 miles, 67 miles less than to Portland. Fredericton, the seat of local government, would have been on the main line to Halifax, and distant from Montreal about 370 miles, and these lines, moreover, would have been wholly within the limits of the Dominion had the international boundary been traced according to the true spirit and intent of the Treaty of 1783.

The distance between Montreal and Halifax would thus have been lessened nearly 200 miles. St. Andrews would have taken the place of Portland as the winter terminus of the Grand Trunk Railway, and would have commanded, together with St. John, a traffic now cut off from both places, and centered at a foreign port.

The direct route would have brought the Springhill coal fields of Nova Scotia 200 miles nearer to Montreal than by the present line of the Intercolonial, and would have rendered it possible to transport coal by rail at a comparatively moderate cost.

If, under such circumstances, an intercolonial railway line to connect the cities of the Maritime Provinces with those of the St. Lawrence had been constructed, the building of 250 miles of railway, representing an expenditure of \$10,000,000, would have been unnecessary. Great as this saving is, the economy in working it and in maintenance would have been important. The direct line would also have attracted certain branches of traffic which by the longer route must be carried at a loss or repelled. These considerations render the difference in favor of the direct line incalculable, and cause the more regret that the treaty made by Lord Ashburton, which ceded territory equal in size to two of the smaller states of the Union, rendered such a direct line through British territory forever impossible. Although it is too late to rectify this almost fatal error, it is important in a history of the Intercolonial Railway to recount all the steps by which so costly a consequence has been forced on the Dominion.

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It is reasonable to suppose that the statements made by Sir Sandford Fleming in his official report with respect to the additional mileages that it was found necessary to construct, in order to keep the Intercolonial on all British territory and for military purposes, are correct.

The effect of the maintenance of this additional 250 miles of track has a very large bearing on the operating results of the Atlantic region. The operating deficit per mile of line in the Atlantic region during 1925 was \$505 for freight services and \$627 per mile of line for passenger services, making a total of \$1,132 for freight and passenger services.

Apply this deficit of \$1,132 per mile of line to the 250 miles of non-essential trackage, for commercial purposes and the deficit of \$3,176,249 for the Atlantic region could be reduced by \$283,000.

The fact that it has been necessary, and rightly so, to make as little change as possible in the arbitraries over Montreal on west-bound traffic from the province of Nova Scotia, is no reason why the east-bound rates should be held down. There is no question but what a great many rates on east-bound traffic for domestic consumption are too low and further go to add to the deficit of the Atlantic region of the Canadian National.

Again, it is manifestly unfair to single out any portion of a transcontinental system, and by a series of arbitrary allocation of costs as against revenue, decide that one portion of the system is losing, thereby making it necessary for the rest of the country this system serves to contribute more than they should otherwise have to do.

### **Export Grain Traffic Through the Port of Halifax.**

Halifax, as one of the chief Canadian North Atlantic ports, has not received at any time what might be termed a reasonable portion of the export grain traffic of the West. The main reasons why this traffic is not moving via this port may be summed up as follows:

1. Owing to the competition of the ports of Montreal and United States North Atlantic ports, Halifax is not a potential competitor during the summer months of open navigation on the St. Lawrence.



2. The effect of the reinstatement of the Crow's Nest rates on grain has eliminated the all-rail route on grain as a competitor of the lake-and-rail and all-water routes. Thus Halifax is also eliminated from the all-rail movement, which at the present time, during the winter months only, takes place when congestion is prevalent at Fort William and west, or a radical change in prices warrants a shipper paying the difference. This phase of the situation will be gone into more in detail presently.
3. The inability of the rail carriers to divert grain traffic to the port of Halifax is due chiefly to the fact that the grain exporter has chartered his ocean space several weeks before he delivers the grain to the railways for shipment. The carrier, therefore, has no option but to move the grain to the port specified by the shipper in his instructions.
4. The charges for handling grain at any port have a serious bearing on the movement of grain through that port. While the difference per bushel may not be large, the exporter is selling in loads of 8,000 bushels, and the fraction of a cent per bushel will divert the traffic.
5. Owing to lack of diversified tonnage and distress tonnage offering, there is no incentive to move any grain to Halifax on consignment.

There are several other reasons why grain is not moving from Halifax at the present time, but the above will probably indicate the more important.

Referring to the effect of the reinstatement of the Crow's Nest basis of rates again: The element of competition as between the Canadian and United States railways in rate-making on grain does not become effective until the grain has reached Fort William and Port Arthur on the Canadian side and Duluth on the United States side.

The effect of the coastwise trading laws on the Great Lakes also diverts a large quantity of Canadian grain to United States ports via Buffalo.

Previous to the advances in grain rates during the war period, the rates for shipment all-water, all-rail and lake-and-rail from Fort William and Port Arthur were built in such a way as to permit of the all-rail route being a factor in the movement of the crop, principally during the winter months.

By reason of the forcing of the Crow's Nest rates into effect west of Fort William, the carriers have been unable to grant any reductions on the rates from Fort William east that would reinstate the all-rail route as a serious competitor of the lake-and-rail and the all-water routes.

The main reason given for the reinstatement of the Crow's Nest rates west of Fort William was that the western grain-grower must have a low rate to seaboard.

If this is the case, the reductions should have been applied to the grain movement east of Fort William for export. It is impossible for the carriers to differentiate between domestic and export grain and products west of Fort William, but it is a comparatively simple matter on shipments from Fort William east, and the result would have been the same, namely, a low export rate to seaboard. This would have brought the all-rail route back as a competitor of the lake-and-rail and all-water movements.

With the all-rail grain route eliminated as a serious competitor for the grain traffic from Fort William and Port Arthur, Halifax as a winter port, depending largely on the all-rail grain movement in the winter months, does not figure to any extent in the volume of grain moving for export at any time of the year.

The only suggestion that appears to have been made that would have its effect in the encouraging of the grain traffic through the port of Halifax is that of a differential rate over the



Transcontinental Railway, or a fixed differential below the other all-rail routes now being used. Whether or not the carriers can accept the traffic at the differential rates in view of the drastic reductions on grain rates west of Fort William is a matter which the Board of Railway Commissioners now have under consideration. If the Board order a differential rail rate over the Transcontinental route that is really competitive with the all-water and lake-and-rail movement, the result should be that the port of Halifax will receive sufficient grain in order to properly ballast the steamers trading from that port, a feature of port development that is most essential.

### Character of Tonnage Originating and Terminating in the Province of Nova Scotia.

An analysis of the class of traffic that is moving out of the province of Nova Scotia as compared to the traffic inbound, throws an interesting sidelight on the situation of the province.

During the calendar year 1925, the following table indicates the volume and character of the traffic of the province:

| Commodity                           | Originating or<br>Received from<br>Connections | Terminating or<br>Delivered to<br>Connections |
|-------------------------------------|--|---|
| <i>Agricultural Products—</i>       | Tons   | Tons  |
| Wheat.....                          | 1,555  | 5,208   |
| Corn.....                           | 4,682  | 5,448   |
| Oats.....                           | 2,211  | 33,016  |
| Barley.....                         | 63   | 303   |
| Flax.....                           | 25   | 25  |
| Other grain.....                    | 352  | 1,152   |
| Flour.....                          | 931  | 108,302                                       |
| Other mill products.....            | 3,360  | 57,486  |
| Hay and straw.....                  | 17,307   | 26,755  |
| Cotton.....                         |  | 377   |
| Apples, fresh.....                  | 12,213   | 8,507   |
| Other fruit, fresh.....             | 1,389  | 6,086   |
| Potatoes.....                       | 4,325  | 37,711  |
| Other fresh vegetables.....         | 1,486  | 3,350   |
| Other agricultural products.....    | 10,644   | 9,365   |
| <i>Animal Products—</i>             |  |   |
| Horses.....                         | 859  | 1,843   |
| Cattle and calves.....              | 2,090  | 7,236   |
| Sheep.....                          | 1,386  | 443   |
| Hogs.....                           | 311  | 492   |
| Dressed meats, fresh.....           | 272  | 7,488   |
| Dressed meats, cured or salted..... | 196  | 5,192   |
| Other packing house products.....   | 87   | 4,512   |
| Poultry.....                        | 30   | 218   |
| Eggs.....                           | 111  | 277   |
| Butter and cheese.....              | 1,881  | 1 766   |
| Wool.....                           | 423  | 408   |
| Hides and Leather.....              | 803  | 230   |
| Other animal products.....          | 625  | 506   |
| <i>Mine Products—</i>               |  |   |
| Anthracite coal.....                | 5,294  | 5,257   |
| Bituminous coal.....                | 740,724  | 455,732                                       |

| Commodity   | Originating or<br>Received from<br>Connections | Terminating or<br>Delivered to<br>Connections |
|---|--|---|
|   | Tons   | Tons  |
| Coke.....   | 26,349   | 15,406  |
| Other ores and concentrates.....                          | 43   | 513   |
| Clay, gravel, sand and stone.....                         | 108,750  | 106,999                                       |
| Slate, dimensions or block stone.....                     | 803  | 809   |
| Crude petroleum.....                                      | —  | 44  |
| Asphaltum.....  | 87   | 1,182   |
| Salt.....   | 4,951  | 4,135   |
| Other mine products.....                                  | 29   | 1,636   |
| <i>Forest Products—</i>                                   |  |   |
| Logs, posts, poles and cordwood.....                      | 33,620   | 34,741  |
| Ties.....   | 3,048  | 3,385   |
| Pulpwood.....   | 31,488   | 26,341  |
| Lumber, timber, box shooks, staves, head-<br>ing.....     | 237,775  | 213,649                                       |
| Other forest products.....                                | 6,819  | 4,658   |
| <i>Manufactures and Miscellaneous—</i>                    |  |   |
| Refined petroleum and products.....                       | 53,844   | 47,108  |
| Sugar.....  | 67,757   | 30,294  |
| Iron (pig and bloom).....                                 | 37,952   | 25,206  |
| Rails and fastenings.....                                 | 11,533   | 9,366   |
| Bar and sheet iron, structural iron and<br>iron pipe..... | 34,406   | 29,964  |
| Castings, machinery and boiler.....                       | 6,469  | 7,222   |
| Cement.....   | 1,084  | 17,577  |
| Brick and artificial stone.....                           | 13,666   | 12,917  |
| Lime and plaster.....                                     | 11,870   | 6,209   |
| Sewer pipe and drain tile.....                            | 8,291  | 1,751   |
| Agricultural implements.....                              | 402  | 989   |
| Automobiles and auto trucks.....                          | 327  | 18,837  |
| Household goods.....                                      | 948  | 1,000   |
| Furniture.....  | 839  | 541   |
| Liquor beverages.....                                     | 1,521  | 5,351   |
| Fertilizers.....  | 18,434   | 9,506   |
| Paper, printed matter, books.....                         | 279  | 5,656   |
| Wood pulp.....  | 29,707   | 29,781  |
| Fish, fresh, frozen, salted, etc.....                     | 28,807   | 15,009  |
| Canned meats.....   | 32   | 115   |
| Other canned food products.....                           | 3,160  | 6,274   |
| Other manufactures and miscellaneous....                  | 111,774  | 111,201                                       |
| Merchandise.....  | 87,242   | 119,022                                       |
| Total.....  | 1,799,741                                      | 1,719,085                                     |

While the figures given in the preceding statement cover only the total tonnage created in

the province of Nova Scotia, and does not differentiate between the tonnage created and the tonnage delivered by connections—nor does the tonnage terminating differentiate between that terminating in the province—the figures themselves indicate the larger volume of the higher class traffic moving into the province as against the class of traffic originating and going out of the province.

The totals of the main subheadings in the statement indicate that the tonnage terminating on all commodities except that of mine and forest products is away in excess of the tonnage originating in the province. For example, the total tonnage originating of agricultural products is 60,551 tons against 303,092 tons terminating. The total of animal products originating is 9,056 against 25,611 terminating. The total of manufactured commodities and miscellaneous merchandise is 432,464 originating as against 510,896 tons terminating.

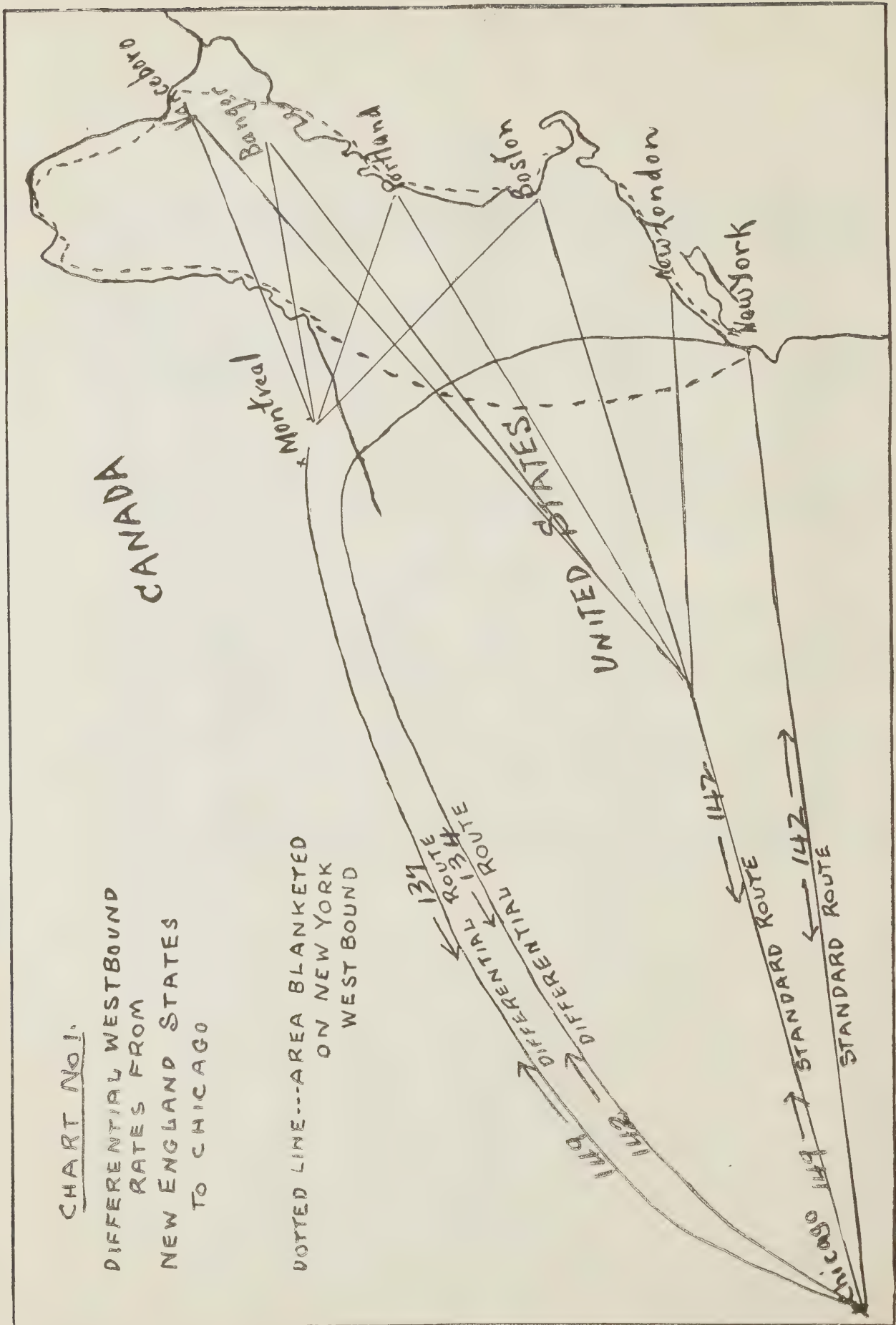
It will therefore be seen that the purchasing power of the province is created largely by the products of the mine, the forest and the fisheries. No actual values are available as to the value of the different commodities interchanged by the province, but the analysis of the traffic movement of Nova Scotia fairly well establishes this fact. This, however, does not mean that the factories and other industries of the province are not valuable assets to the communities in which they are situated.

#### Development of Free Ports.

The creation of a section or portion of the port of Halifax as a free port, permitting the entry of goods in bond, appears on the surface to have possibilities in assisting in building the traffic of the port. It would be necessary, however, to study thoroughly the fundamental principles of marketing in connection with the different commodities that might enter this free zone, and the traffic that might move through the port if a free zone area were created.

There is no doubt but what European exporters could use the port of Halifax, in and out, in order to compete with their American competitors in the West Indies. Commodities could be stored in the free zone area and released either for domestic consumption in Canada on payment of duties, or re-exported to other foreign markets.

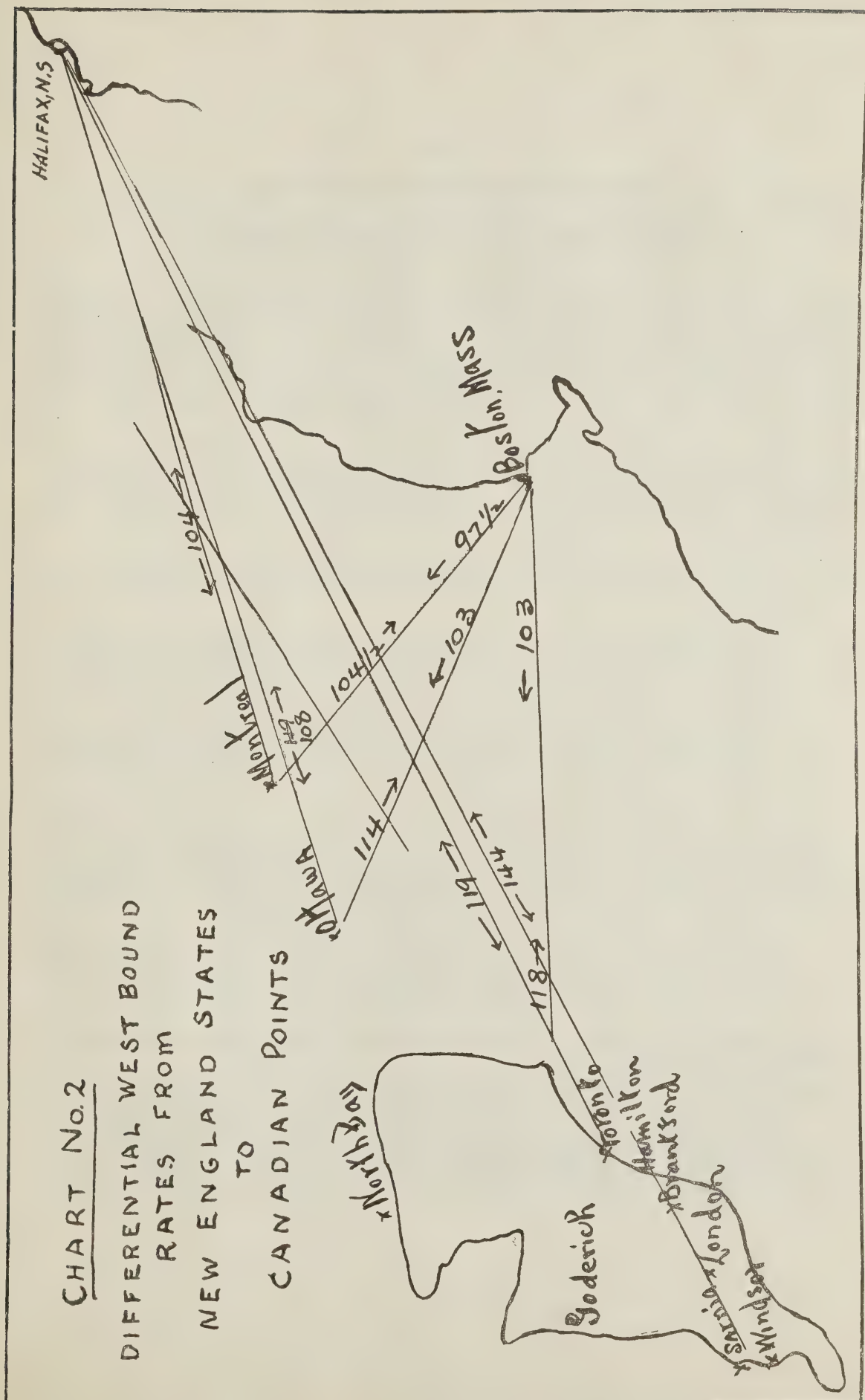
As Canada and the United States are, comparatively speaking, high tariff countries, the amount of expense and detail in connection with bonded shipments under present regulations, creates an expense against the traffic that is practically prohibitive.





# CHART No. 2

DIFFERENTIAL WEST BOUND  
RATES FROM  
NEW ENGLAND STATES  
TO  
CANADIAN POINTS



## TRANSCONTINENTAL RAILWAYS AND TRADE THROUGH CANADIAN PORTS.

It has already been pointed out, in another section, that one of the great inducements offered to the people of Nova Scotia to enter Confederation was the building of the Intercolonial Railway, and that the commerce of Canada would go through the maritime ports during the season when the St. Lawrence ports were closed to navigation. It was held out that the traffic then passing through the ports of Portland and New York would go through the ports of Halifax and Saint John. The Intercolonial Railway was built, but the export trade of Canada still goes through the American ports, and Halifax and Saint John have not received the benefits anticipated.

In 1903 a new transcontinental railway was projected. It was to be an all-Canadian line from ocean to ocean. It was intended to give the grain growers of the West a direct outlet to the Atlantic ocean, and it was further intended that the building of this road should fulfil the promises made at Confederation that Canadian trade should go through Canadian ports.

The Honourable W. S. Fielding, then Minister of Finance, in a speech delivered in the House of Commons (page 8557, Volume 4, House of Commons Debates, 1903) makes this clear:

“With this road built, instead of being dependent on the Canadian Pacific Railway only, Saint John will have two strings to its bow. Not a pound of traffic that goes to Saint John now will be taken away, and Saint John will stand its chance of getting a fair share of the new traffic to be created by this road. Halifax, with its peerless harbor, will have advantages which it has not hitherto enjoyed. Surely, sir, the time has come after years of deception, humbugging and trickery about the lines to the Maritime Provinces, that faith should be kept with these people, and they should have a through line running on Canadian territory from ocean to ocean.”

Chapter 71 of the Acts of 1903, authorizing aid to this road and incorporating the agreement made with the Grand Trunk Pacific Railway Company, clearly indicates that this was one of the main objects of the road, for the aid given was on the express condition that the Company would, by every means in its power, develop Canadian trade through Canadian ports. The Act ratified and confirmed the agreement made between the Government and the railway company. The agreement recites that the object is—

“To secure the most direct and economical interchange of traffic between eastern Canada and the provinces west of the great lakes, to open up and develop the northern zone of the Dominion, to promote the internal and foreign trade of Canada, and to develop commerce through Canadian ports.”

Paragraphs 42, 43 and 45 of the agreement further emphasize the obligations of the Company in this regard:

“Sec. 42—It is hereby declared and agreed between the parties to this agreement that the aid herein provided for by the Government of Canada is granted for the express purpose of encouraging the development of Canadian trade and the transportation of goods through Canadian channels. The company accepts the aid on these conditions, and agrees that all freight originating on the lines of the railway, or its branches, not specifically routed otherwise by the shipper, shall, when destined

"for points in Canada, be carried entirely on Canadian territory or between Canadian inland ports, and that the through rate on export traffic, from the point of origin to the point of destination, shall at no time be greater via Canadian ports than via United States ports, and that all such traffic, not specifically routed otherwise by the shipper, shall be carried to Canadian ocean ports."

"Sec. 43—The company further agrees that it shall not, in any matter within its power, directly or indirectly advise or encourage the transportation of such freight by routes other than those above provided, but shall, in all respects, in good faith, use its utmost endeavours to fulfil the conditions upon which public aid is granted, namely, the development of trade through Canadian channels and Canadian ocean ports."

"Sec. 45—The company shall arrange for and provide either by purchase, charter or otherwise shipping connections upon both the Atlantic and the Pacific Oceans sufficient in tonnage and in number of sailings to take care of and transport all its traffic, both inward and outward, at such ocean ports within Canada upon the said line of railway, or upon the line of the Intercolonial Railway as may be agreed upon from time to time, and the company shall not divert or so far as it can lawfully prevent permit to be diverted to ports outside of Canada any traffic which it can lawfully influence or control, upon the ground that there is not a sufficient amount of shipping to transport such traffic from or to such Canadian ocean ports."

In 1904 this proposal was submitted to the people of Canada in the general election of that year, and was emphatically endorsed, especially by the people of Nova Scotia, in the belief that at last the promises made in respect to this phase of transportation were to be fulfilled.

The transcontinental railway was built with the aid of \$170,000,000 of money given by the Government of Canada, to which the people of Nova Scotia contributed their share. The road was built, but the eastern section from Quebec to Moncton has never been used for through traffic, and it has not brought Canadian trade through the ports of Halifax and Saint John.

In the year 1911, the Canadian-Ontario Railway sought aid from the Government. The assistance asked was \$45,000,000, and it was given on the condition set out in the agreement made between the railway company and the Government, and it was incorporated in an Act of the Dominion Parliament; section 13 clearly indicates that this contribution was made on the distinct understanding that as a result of the building of this road, Canadian trade would at last pass through Canadian ports, and the same promises were made in an act of 1914, section 6, paragraph (a):

Sec. 13—Acts of 1911, Chapter 6—Respecting Aid Towards the Construction of the Canadian Northern Ontario Railway:

"That the aid herein provided for is granted by the Government for the express purpose of encouraging the transportation of goods through Canadian channels. Before such aid is granted the Governor-in-Council shall require the Canadian Northern Railway Company to enter into an agreement undertaking that all freight originating on the line of the Canadian Northern Railway Company or its branches, or on the line of the Canadian Northern Ontario Railway Company or its branches, not specifically routed otherwise by the shipper, shall when destined to points in Canada be carried over the Canadian Northern Railway, or the Can-



“Canadian Northern Ontario Railway or the connections of either of them or over any railway within Canadian territory, and that the through rate on export traffic from the point of origin to the point of destination shall at no time be greater via Canadian ports than via United States ports, and that all such traffic not specifically routed otherwise by the shipper shall be carried to Canadian ocean ports; and that the Canadian Northern Ontario Railway Company shall not in any matter within their powers directly or indirectly advise or encourage the transportation of such freight by routes other than those above provided; but shall in all respects, in good faith, use their utmost endeavours to fulfil the conditions upon which public aid was granted, namely, the development of trade through Canadian channels and Canadian ocean ports.”

Chapter 20 of the Acts of 1914—an Act respecting the Canadian Northern Railway System:

- Sec. 6 “That at all times hereafter all freight originating on the line of the Canadian
- (a) “Northern or on the lines of any of the constituent companies, or on any line or lines of the railway now or hereafter owned, leased or operated by the Canadian Northern or by any of the constituent or subsidiary companies, their successors or assigns, shall when destined to ports in Canada be carried over the lines of the Canadian Northern or of the constituent companies, or over some other Canadian railway or railways (which term shall include the lines operated by the Canadian Pacific Railway Company between Montreal and Saint John) and that the through rate on export traffic from the point of origin to the point of destination shall not be greater via Canadian ports than it would be via United States ports; and that all inward and outward ocean traffic shall be carried to Canadian ports, and that the Canadian Northern and the several constituent and subsidiary companies shall not in any matter within its power or control directly or indirectly advise or encourage the transportation of any such freight by routes other than those above provided, but shall in all respects, in good faith, use their utmost endeavours to further the development of trade through Canadian ports and Canadian channels.”

From the foregoing it will be seen that from the very time of Confederation the Maritime Provinces, and especially Nova Scotia, have been promised the development of their ports by the export of Canadian trade through those ports. At Confederation it was one of the inducements held out to us to enter the Union. Later on, when the people of Canada were asked to contribute vast sums of money towards the building of transcontinental roads, Nova Scotia was urged to endorse these projects on the ground that the export trade of Canada would pass through maritime ports during the time when navigation was closed in the St. Lawrence River. These promises have not been fulfilled, notwithstanding that Nova Scotia has contributed its full share of the \$200,000,000 of public money which was used in the construction of these roads. Furthermore, not one dollar of this vast sum of money was spent in Nova Scotia.

The people of the Maritime Provinces are demanding that the Atlantic ports shall be used to handle the Canadian grain and the shipping of other commodities now going through American ports. One of the principal grievances of the Maritime Provinces is, that the Atlantic ports have been neglected, and that for years Canadian exports and imports have passed our harbours, landed or loaded at American ports, and been carried in a great number of cases the greater distance by American railways.



For years the Canadian National Railway has made Portland, Maine, its terminal winter port. The railway distance is shorter from Montreal to Portland by some 300 miles than the nearest Canadian Atlantic port, and consequently it costs the railway less money to haul its freight to and from that port; but in addition to the disbursements of the ships the loss to Canada by the operation of Canadian trains in American territory reaches considerable sums. There are the train crews, the switchmen, the trackmen and in fact all the employees of the railway, who spend their money in American territory. There are also harbour dues of the boats loaded with Canadian freight, being paid to American port officials—thus benefiting American territory—all of which means a loss to Canadian ports and consequently to Canada.

Previous to 1867, when the compact of Confederation was entered into by the Maritime Provinces, the carriage of goods was largely north and south, but with the building of the railway to connect the central and eastern provinces, it was promised that the ports of both the Atlantic and Pacific would be built up, and under such promises we entered Confederation.

We have cheerfully paid our share of the expenditures on the canals in this country, which, since Confederation have cost in round figures \$133,000,000; the Hudson Bay Railway to date cost \$21,000,000, of which amount we paid \$2,500,000; the Quebec Bridge cost \$23,000,000—our portion of this expenditure was \$2,830,000. Up to date, the Maritime share of the deficits of the Government-owned railways has been \$27,000,000—notwithstanding the fact that these loans were not made on any of the railways that touched the Maritimes. To these amounts can be added the deficits on the Canadian National Railways and the loans and interest thereon. Up to 1924 these alone amounted to \$77,000,000 and besides this there are the subsidies guaranteed, of which the share of the Maritime Provinces is \$55,000,000.

Other figures could be quoted here; but it seems unnecessary. Those that appear are given only for the purpose of showing the large contributions we have cheerfully made to ensure the moving of Canadian business through Canadian ports.

The export rates through Canadian Atlantic ports are exactly the same as those through American Atlantic ports, but through the press we learn that, of the estimated export of 330,000,000 bushels of grain for 1926, not less than 180,000,000 will probably go through American ports, while 80,000,000 will probably go through Vancouver, in the neighborhood of 60,000,000 through Montreal, and probably less than 12,000,000 through the Maritime ports of Saint John and Halifax—notwithstanding that both the latter are equipped with grain-handling facilities.

The foregoing depicts another situation whereby the peculiar economic position in which these provinces were artificially placed by Confederation, has not been justly considered nor equitably dealt with by the rest of Canada, notwithstanding the expenditure of large sums of money for the primary object of developing the export and import trade of Canada through its own ports.

## THE STEEL AND COAL INDUSTRIES.

The steady decadence of the steel and coal industries of Nova Scotia in the past four or five years has contributed far more than any other single factor to that general condition of business decline in which the recent movement for Maritime Rights finds economic sanction. These industries, when operating normally, support wage-earning communities comprising a quarter of the population of the province. Directly vital to six of the eighteen counties of Nova Scotia, they indirectly influence economic conditions in every part of the Maritime Provinces. The centres of population which have grown up around them have for many years constituted the best and most readily accessible market for the farmers and fishermen of eastern Nova Scotia and Prince Edward Island, for the fruit growers of the Annapolis Valley, for the industries and mercantile houses of Halifax, Moncton and Saint John. Depression of the coal and steel industries must inevitably be reflected in disturbed economic conditions in the whole Maritime region.

Yet these great basic industries are languishing, and one of them is threatened with extinction, because they are denied that very advantage of a tariff-conserved central Canadian market for their products, which was held out by the promoters of Confederation as one of the major inducements to attract Nova Scotia into the Union. The value of that market and what its conservation would mean to the Nova Scotia coal and steel industries may be fairly deduced from the fact that last year Canada imported seventeen million tons of foreign-mined coal, of a value considerably in excess of \$100,000,000, and upwards of \$180,000,000 worth of foreign-produced iron and steel and their products, chiefly from the United States.. Such are the conditions which have been allowed to develop under a fiscal system of which protection to Canadian labor is a cardinal principle, recognized and supported by both political parties. That principle has been observed and rigorously applied with respect to the great industrial enterprises of Quebec and Ontario, but Nova Scotians have appealed in vain to have it applied to these basic industries of eastern Canada. Not a ton of Nova Scotia coal is used in the factories of Ontario, which buy their fuel in the United States and sell their products in the Maritime Provinces. Last year three million tons of American-mined coal was used by the Canadian National Railways, while a wage war was raging in the Nova Scotia coal fields because American competition had so demoralized the Canadian market as to render substantial wage reductions a necessary condition of the continuance of mining operations in this province.

### The Accepted National Policy of the Dominion.

As has been said, tariff protection to Canadian industries is the approved and accepted National Policy of the Dominion. It is not the purpose of this review of the situation either to defend or to criticize that policy. All that is relevant to the case is to point out that, while it is maintained, Nova Scotia industries may fairly claim to be entitled to share in its advantages to the same degree as the major industries of Quebec and Ontario. Protection, or free trade, or an exclusively revenue tariff may be advocated with some show of logic, but surely no reasonable defence, no consideration based on equity or sound public policy, can be advanced in support of a system under which Nova Scotians are compelled to buy what they consume in a substantially protected home market, and to sell what they produce in a virtually unprotected one. Before suggesting a remedy for this anomalous condition, it is important to review the stages and retrace the steps by which it has been reached.

As has been noted elsewhere, an enlarged market for Nova Scotia coal was one of the outstanding inducements employed to persuade the people of this province to enter Confederation. In accordance with that undertaking, the so-called National Policy of protection to Canadian industries was the central feature of the tariff of 1879, which

authorized, and has since continuously maintained, import duties on foreign coal. In 1879 there was a specific duty of fifty cents a ton on both anthracite and bituminous coal. Under subsequent tariff adjustments anthracite was placed on the free list and a slight increase made in the duty on bituminous coal. In 1897 there was a specific duty of fifty-three cents a ton on round coal and an ad valorem duty of twenty per cent. on slack, in the latter case, however, not to exceed thirteen cents a ton. The market value of slack coal at that time was about 65 cents a ton. Under this system of protection, the coal mining industry of Nova Scotia made distinct progress. Larger amounts of capital were invested in it, mining properties were consolidated, and extensive modern mining machinery installed with a view to supplying the central Canadian market, whose demands were expected to increase from year to year. This policy of tariff protection to coal was one of the legislative means adopted to overcome the handicap created by Nova Scotia's geographical position, and to force an interprovincial trade through Canada in an easterly and westerly direction rather than allow it to drift north and south.

### **The Assurance Given at Confederation.**

In another section of this submission, reference has been made to the assurance given by the public men supporting Confederation, of an intention to make the Nova Scotia coal mines a source of supply for the other provinces; and the subsequent actions of the Governments of Canada, irrespective of party, can bear no interpretation other than acceptance of that general policy and an intention to make it effective.

The duty on round coal, both screened and run-of-mine, being specific and unchangeable, failed to take into consideration the advancing market prices of fuel in the years following the imposition of that duty. The result has been that the tariff protection to coal has diminished in effectiveness as market prices have increased. In 1907, for example, the value of Nova Scotia coal, as calculated by the Dominion Bureau of Statistics, was approximately \$2.00 a ton, while in 1923, that value had risen to \$4.12 a ton. Yet, throughout this entire period, the specific duty on round coal and the maximum duty on slack coal remained unchanged. In 1925, the duty on run-of-mine coal was reduced to 50 cents per ton, while that on slack was placed at the same level. It is evident, therefore, that the tariff protection accorded Nova Scotia coal twenty years ago has depreciated greatly and has lost its fair ratio to the value of the product. The result has been that since the war, American competition has made increasing inroads on the St. Lawrence market, and the output of the Nova Scotia collieries has fallen away despite an increased demand for fuel supplies in the Montreal district.

### **Establishment of Iron and Steel Industry on Large Scale.**

About thirty years ago the iron and steel industry was established in Nova Scotia upon a large scale and, because of its essential relation and vital importance to the coal industry, should be considered in conjunction with it. Like coal mining, the manufacture of steel at its inception was given assistance from the national treasury, both in the form of bounties on tonnage output and protective duties against competing products entering Canada. The compelling reason for the establishment in eastern Canada of a large scale steel plant, was that here, and here alone in the whole Dominion, were the conditions to be found which rendered possible the growth of such an industry, with its three roots in British soil. These three roots are Nova Scotia coal, Nova Scotia limestone, and Nova Scotia or Newfoundland iron ore.



The system of bounties to the steel industry was maintained from 1900 to 1911, when it was discontinued. The duties on steel and steel products, established in 1907, were, like the coal duties, specific amounts per ton. When these duties were imposed, steel prices were such that the industry then enjoyed a tariff protection ranging from 20 to 35 per cent. on its various products. Today those products have a market value of from twice to three times what it was in 1907, but there has been no upward revision of the duties from then till now. The consequence is that the average duty on the output of the Nova Scotia steel industry is today less than ten per cent., while many of its most important products have been placed on the free list in order to assist Ontario industries using steel as a basic material to meet American competition in central Canada.

### **Coal and Steel Indis severable.**

The Nova Scotia steel industry is indis severable from that of coal mining, for the following reasons:

1. When operating at normal capacity, it consumes approximately a million tons of coal per year, or about one-fifth of the entire output of the Nova Scotia collieries.
2. Because it uses slack coal almost exclusively—a grade of fuel for which there is virtually no other large market—and thus renders the operation of the Nova Scotia coal mines economically possible on a scale large enough to make them profitable.
3. It furnishes the only large, continuous winter market for the output of the collieries, and thus helps spread colliery operations over the whole year.
4. By assuring large-scale colliery operations in winter as well as in summer, it is the controlling factor in keeping the working organization of the mines in existence, and tends to economize production costs by the spread of overhead fixed charges over a substantially enlarged output.
5. Only by the expansion of the steel industry and the steady enlargement of its fuel requirements can Nova Scotia coal mining continue to develop, for slack coal is a product which must be absorbed on an increasing scale, if the gross output of the mines is to be profitably increased.

### **Injurious Tariff Changes.**

Recent tariff readjustments have been distinctly injurious to the Nova Scotia steel industry. As a rule, those readjustments have carefully conserved the duties on the more highly finished iron and steel manufactures, while disregarding entirely the needs of the Nova Scotia industry which manufactures the primary and semi-finished products. Thus steel rods and bars and such steel products as are used in the manufacture of farm machinery, agricultural implements and working tools of various descriptions, have been placed on the free list, with the avowed purpose of enabling the manufacturers of the finished commodities to bear recent tariff reductions affecting their products. The result is that the Nova Scotia steel industry languishes and finds itself unable to compete on a profitable basis in the Canadian market with foreign rivals, who have the advantage either of mass production or heavily-depreciated exchange. As the steel industry suffers, the coal industry suffers with it and the present outlook is that without remedial measures, promptly taken and on a generous scale, both industries will fall into collapse or atrophy and will be lost to Canada. Thus the dream of a National Policy, so far as coal and steel are concerned, must come to an end.



It is reasonable to assume that once foreign producers gain control of the Canadian markets for steel and coal, they will have the consumers of this country at their mercy. Once domestic competition disappears, those producers will be in a position to fix their own prices, restrained only by the limit of what the market can endure, and by considerations of a general trade policy designed to prevent the rebuilding of those industries on Canadian soil.

Further, it is worthy of consideration that, in the event of the United States being required to conserve its production for national defence purposes in case of war, Canada will find herself cut off from supplies of coal and iron abroad, while at home she will have allowed the sources of these commodities so to shrink and wither as to be incapable of meeting her demands.

### **Of Dominion-wide Importance.**

For this reason the preservation and extension of the Nova Scotia coal and steel trade is a matter of national importance to Canada, in addition to being a question of keeping faith with one of the original partners in Confederation. It is the contention of Nova Scotia that for these two main reasons such assistance should be given by the Dominion at large as will ensure flourishing coal and steel industries in the Maritime Provinces. Such assistance may take any one of several forms, and the conditions of it will doubtless change from year to year, and even from month to month. These conditions, however, should be looked upon as matters of detail capable of adjustment as required, and able to be brought under a national policy of assistance and protection for these combined industries.

It must be remembered that, whenever tested upon the question of Confederation, Nova Scotia has always felt the pact too burdensome for her and has had a very clear conception of the uncompensated sacrifices she was making when entering it. What, then, can the feeling of Nova Scotians be expected to be when they see the Dominion depart from that detail of a National Policy for Canada that was held out to Nova Scotia at Confederation promising extended Canadian markets for her coals? It is only necessary to add that roughly one-quarter of the entire population of the province is directly dependent for a livelihood upon the coal-steel industry.

### **Suggested Remedies.**

The remedy suggested to re-establish the steel industry on a strong and enduring basis, comprehends no change in the fiscal policy of Canada. All that is asked is that the accepted principles of the National Policy of protection to Canadian industries be extended frankly and intelligently to this basic Nova Scotian industry. The tariff should be raised to such a point as to overcome the geographical handicaps and the transportation difficulties which now prevent this industry from competing on equal terms with rivals in the markets of central Canada. An alternative proposal would be the renewal of the bounty system which was discontinued in 1911 and which might be applied on the basis of the amount of Nova Scotia coal consumed in the production of steel. Under this latter plan both the steel and coal industries would receive direct encouragement. At present the steel industries of Ontario, which import their fuel from the United States, are bonused to the extent of forty-nine cents on every ton of coal they consume. The principle, therefore, is one which has already been recognized and adopted by the Federal Government.

### **A National Fuel Policy.**

The views of the Nova Scotia Government as to the policy which should be pursued for the encouragement and development of the coal-mining industry of this province were submitted to the special committee of the House of Commons, dealing with the fuel question last April, by the Honourable G. S. Harrington, Minister of Public Works and Mines.

Mr. Harrington laid down six features of a proposed fuel policy which he was convinced would effectively solve the whole problem. They are as follows:

1. The establishment of coking plants at convenient centres in Canada to be assisted by the Government and to use exclusively Canadian coal in the production of coke.
2. A subvention by the Government for a period of five years on coal carried from Nova Scotia to points west of Montreal. In this connection the Minister of Mines suggested a subsidy of one-fifth cent per ton mile with a limit of \$1.50 per ton.
3. An adequate protective tariff on bituminous coal, anthracite screenings and coke.
4. Favourable railway transportation rates for Nova Scotia coal, to be fixed after a careful investigation of transportation costs over the C.N.R.
5. Cancellation of the bonding privileges now enjoyed by American operators who are permitted to sell coal, duty free, for bunkering purposes at St. Lawrence ports. In this connection the Minister of Mines pointed out that approximately 600,000 tons of American soft coal are annually sold at Canadian ports for bunker.
6. Abolition of the customs drawback under which American soft coal is now allowed to enter Canada for coking purposes free of duty.

In the main, these suggestions were approved by the fuel committee and formed the basis for the recommendations contained in their report dated June 22, 1926, for the development of a National Fuel Policy for Canada. Our case in this regard, therefore, has apparently been established to the satisfaction of the federal authorities, as the report in question received the unanimous support of the members of the Committee.

### **Endorsed by Provincial Premiers.**

As indicating that provincial administrations throughout Canada share the same opinion in respect to the importance of developing at once a national fuel policy, a resolution was unanimously passed at the Interprovincial Conference of Premiers at Ottawa in June, 1926—all provinces being represented but Alberta, which, being a coal-producing province would in any event naturally endorse such views—as follows:

- “This Conference, recognizing that the coal fields of the Dominion are capable of producing ample fuel for its domestic and industrial purposes, that Canada imports annually 15,000,000 tons of coal at a cost to our people of many millions, and that the national interests demand that the coal industry should be stabilized and further developed to ensure the use of the Canadian products, is of opinion that the Government of Canada should take immediate steps to ensure the establishment of coking plants in the large centres of population, and the adoption of such other measures by the Dominion as will enable Canadian coals to be marketed in the central parts of Canada, thus aiding in the development of interprovincial trade and utilizing to the fullest possible extent one of our most important natural resources.”

### OPINION OF MAJOR HUME CRONYN, K. C.

As further indication of the appreciation of the national aspect of the combined coal and steel industries of Nova Scotia and their importance to central Canada, as well as to the Maritime Provinces, the following addendum was written by Major Hume Cronyn, K. C., a member of the Royal Commission appointed by the Government of Nova Scotia in 1925, to inquire into the labor difficulties in the coal industry of Nova Scotia.

#### Addendum.

The Commission as a whole did not feel warranted in expressing their opinion on some of the remedies suggested for relief of the coal industry in Nova Scotia.

These remedies touched on matters within both Provincial and Dominion control and of necessity involved a pronouncement on questions which for more than a generation have been the subject of political discussion.

The Chairman of the Commission, coming as he does from Great Britain and being out of close touch with our past controversies, felt that it might be considered an impertinence were he to attempt to pronounce upon problems which must by their very nature be left to the judgment and decision of the people of Canada.

My colleagues, however, have agreed to give me an opportunity of expressing my personal opinion in the following Addendum to our report.

As will appear later, the Provinces of Ontario and Quebec would be more directly and perhaps even adversely affected by the remedies suggested than would other portions of our country.

As a native and resident of the one, and a life-long admirer of the other, I take the liberty of making this appeal on behalf, not only of Nova Scotia, but, indeed, of the well-being of our Dominion as a whole.

It will appear from our report that one, perhaps the greatest, cause of distress and discontent is due to irregularity of employment in the mines. At the moment this statement is being penned there have been further outbreaks of violence in Cape Breton, due to lack of employment, with the destitution and ill-feeling consequent thereon.

The reasons for unemployment have already been explained, but to my mind that one which overshadows all others, is the inability of Nova Scotia coals to compete in the St. Lawrence markets with those imported from the United States. This condition is due to the fact that in certain of the American coal fields, notably those of West Virginia, coal can be produced at a much lower cost than is possible in eastern Canada. Some of the factors explanatory of this lower cost may be briefly set out:

- (1) The ease with which coal can be mined and conveyed to the pit mouth.
- (2) The absence of gas and the benefit accruing from natural drainage.
- (3) The many economies possible, due to the fact that submarine mining is unknown, whereas more than half the output in Nova Scotia is mined several miles under the sea.



The marked difference in mining costs due to the above causes enables American coals to be transported, largely by water, from the field named, and, after payment of the present Canadian import duty of 50c per ton, to be sold in Montreal and other Canadian markets at prices below the actual cost of production and transportation of Nova Scotia coal.

Most of the remedies suggested and set out below were forcibly brought to the attention of the Dominion Government in December, 1924, by a representative delegation headed by the then Premier of Nova Scotia. It would be a lengthy and perhaps unprofitable task to examine in detail the merits of each; suffice it to say that in my opinion the two first named are those best fitted to bring relief to what is little less than a national calamity.

- 1st. Federal assistance towards the establishment of coking ovens. The remedy has been fully discussed in Section 36 of our report and need not be further elaborated.
- 2nd. A substantial increase in the import duty on all bituminous coal and anthracite screenings; or, in the alternative, a federal bounty on coal shipped from the Maritimes to Montreal or beyond, and on coal shipped from Alberta or British Columbia to Winnipeg or eastward.
- 3rd. Imposition of duty upon coal imported for steel making and metallurgical processes, or for the production of coke.
- 4th. The negotiation of a treaty with the United States providing for the abolition of duties on coal by both that country and Canada.
- 5th. The extension in application, amount and duration of the subvention granted in 1924, whereby the cost of transportation by rail of Maritime and Western coal may be lessened.

As already stated, the establishment of by-product coking plants and the imposition of a higher duty on importations of bituminous coal or federal assistance by way of bounties appeal to me as the best methods of aiding native industries handicapped by conditions imposed by their nature and geographical position.

The economist may logically ask why an industry which cannot survive competition should be allowed to exist, and consumers in the provinces of Quebec and Ontario may denounce any increase in the tariff, as that must inevitably raise the price of bituminous coal. As one whose academic training has been that of the Manchester school, I must admit the cogency of both question and denunciation. But there are considerations involved in this problem which transcend cold-blooded political economy, or even the losses which may fall on the more thickly settled portions of Canada.

May I attempt in the briefest fashion to outline those considerations?

More than one-fifth of the population of Nova Scotia are directly dependent upon its coal industries and subsidiaries thereof and over 12 p. c. of the revenues of the province are derived from the royalties paid on coal mined. After spending weeks on the ground and discussing the question with many residents of the province in all walks of life, I concur in the statement made by the deputation before mentioned, that "It is not possible to exaggerate the calamitous consequences to Canada should coal mining in Nova Scotia be permitted to decline."

Let us consider but two of these consequences: We in Ontario are accustomed, if not hardened, to the accusation made in the prairie provinces that the East treats the West unfairly; but the sense of grievances unredressed which prompts this charge is as nothing to the depth of feeling which exists in the Maritimes against the central provinces of Ontario and Quebec. That resentment is of old standing and one of its causes is the belief that the Atlantic provinces were more or less cajoled into Confederation by promises and alluring prospects which have failed of fulfilment. It is indeed not going too far to say that the tie of sentiment which binds Nova Scotia to the Dominion has worn very thin.

If, then, we of the central provinces are unwilling to sacrifice something of our prosperity on the altar of common citizenship to aid, perhaps indeed to save, the main industry of Nova Scotia, we may witness an estrangement of far-reaching consequences. For it is not exaggerating the situation to say that the inhabitants of the Maritime Provinces are in a frame of mind that insists upon relief from the disadvantages under which they labor.

My appeal, then, to my friends (if I may so term them) of Quebec and Ontario and through them to the Parliament of Canada is on the highest ground of national unity. Let us, overlooking the pecuniary sacrifices involved, take the necessary measures to safeguard the welfare of our brothers by the sea.

The second calamitous consequence to central Canada which might follow a collapse of coal mining in Nova Scotia will become clear if we but exercise sufficient foresight to discover what will be the probable course of events in regard to the supply of American anthracite upon which today we almost wholly depend for domestic heating. As our report sets forth, the lifetime of the mines from which we are supplied is limited and their exhaustion is already in sight. At the same time the demand for the American market has enormously increased. In the light of former actions, political and otherwise, and bearing in mind the warnings already given us, we need not be surprised if at some not far distant future an embargo be placed upon the export of anthracite. Should we not then be forehanded enough to protect ourselves against this day of reckoning by so encouraging the development of a native industry as to have available a plentiful supply of that unexcelled substitute, to wit: Canadian Coke?

Lest objection be taken that from one cause or another Nova Scotia might be unable to supply the coal or coke necessary for our requirements, it is suggested that the increase of the customs tariff or bounty grants should only remain in force so long as it is clear that the supply of the native product is ample for all purposes.

HUME CRONYN.

## THE FISHERIES ONE OF OUR GREAT NATURAL RESOURCES.

The Treaty of 1783 between the United States and Great Britain provided that the Americans should continue to enjoy unmolested the right to take fish of every kind on the Grand Banks, and on all other banks of Newfoundland, also in the Gulf of St. Lawrence and all other places in the sea where the inhabitants of both countries used at any time theretofore to fish. The Americans were to have liberty to take fish of every kind on the coasts, bays and creeks of the British possessions in North America and as well the liberty to dry and cure fish in any unsettled bay, harbour or creek in Nova Scotia, Magdalen Islands or Labrador so long as the same remained unsettled, and when settled then only by agreement with the inhabitants.

The fisheries were in the forefront of matters considered by the plenipotentiaries after the war of 1812-1814. Great Britain maintained that the liberties under the treaty of 1783 were abrogated by the event of war and that these privileges should not be renewed without an equivalent. America claimed the provisions of that treaty to be still in force. No agreement could be reached by the negotiators and the subject was left in abeyance—no mention of the fisheries being made in the Treaty of Ghent.

Under these circumstances friction inevitably developed. After two or three years of unsuccessful negotiations, a convention was concluded in 1818 in London whereby the inhabitants of the United States were given forever, in common with British subjects, the liberty to take fish of every kind on the southern coast of Newfoundland, extending from Cape Ray to Rameau Islands; on the western and northern coast from Cape Ray to Quirpon Islands; on the shores of the Magdalen Islands and on the coasts, bays, harbours and creeks from Mount Joly on the southern coast of Labrador to and through the Straits of Belle Isle and northerly along the coast; also the liberty forever to dry and cure fish in any of the unsettled bays, etc., on the southern part of the coast of Newfoundland as above set forth and of the coast of Labrador, but, when settled, only with the consent of the inhabitants.

The United States by this convention renounced forever the liberty theretofore enjoyed to take, dry or cure fish within three miles of the coast of any of the British Dominions not included in the above. The Americans were, however, to be admitted to such bays or harbours for the purpose of shelter and of repairing damages therein, or purchasing wood and of obtaining water, and for no other purpose whatever, and were to be under such restrictions as might be necessary to prevent their taking, drying or curing fish therein or in any manner whatever abusing the privileges reserved to them.

In 1836 Nova Scotia passed an Act commonly called the "Hovering Act," designed to prevent infractions of the revenue laws by American fishing vessels, and made it an offense punishable by confiscation for them to hover within three miles of the coast or in waters within three miles of lines drawn from headland to headland, and sought to exclude them from navigating the Strait of Canso without the payment of light dues.

### The Reciprocity Treaty.

In 1854, to avoid further misunderstanding, a treaty was entered into whereby Americans could take all kinds of fish except shell fish on the seacoast and shores and in the bays, harbours and creeks of Canada, New Brunswick, Nova Scotia, Prince Edward Island and of the several islands adjacent thereto, and also to land on the Magdalen Is-



lands for the purpose of drying their nets and curing their fish, provided they did not interfere with British fishermen. This liberty applied solely to the sea fishery, and not to the salmon or shad fisheries or fisheries in the rivers which were reserved for British subjects. The latter were to have the same liberty on the eastern sea coast of the United States north of the thirty-sixth parallel, north latitude.

This treaty was terminated in 1866, and to avoid temporarily a revival of the former controversies special licenses were granted to American fishermen until 1870. In 1868 the Dominion passed an Act (amended in 1870) which practically re-enacted the Nova Scotia "Hovering Act" with increased stringency of regulations. Seizures were made for the offense of purchasing bait and retaliatory measures were contemplated by the United States, including the suspension of the bonding privileges. The mackerel fishery, over which trouble mostly arose, had come into existence since 1818 and was increasingly important.

### **Rights Given to Americans.**

In 1871 a Joint High Commission appointed to settle outstanding differences between the two nations negotiated the Treaty of Washington, which among other matters disposed of the fisheries dispute. Virtually the arrangements of the Reciprocity Treaty of 1854 were revived, save that the limit for British fishing in American waters was now set at the 39th parallel, north latitude. It was also stipulated that fish oil and fish of all kinds being the produce of the fisheries of the United States or of the Dominion of Canada should be admitted into each country respectively, free of duty.

In the course of the negotiations the American Commissioner stated that if the value of the inshore fisheries could be ascertained the United States might prefer to purchase for a sum of money the right to enjoy, in perpetuity, the use of these inshore fisheries in common with British fishermen. After considerable parley it was eventually decided with the consent of the respective governments to agree to a reference to determine the relative value of the privileges accorded to the people of each country, and it was so provided in the treaty.

It had been asserted by Great Britain that the privileges granted the citizens of the United States in respect to the inshore fisheries of Canada and Newfoundland were of greater value than those accorded to British subjects in respect of fishing in American waters and of the free entry into the United States of fish and fish oil. Provision was made in the treaty for the appointment of a mixed commission of three who were to meet in Halifax.

After some delay the treaty was ratified by all parties and came into effect July 1st, 1873, lasting for ten years and until the expiration of two years after notification to terminate from either party. This notice was given in 1883 and the treaty expired in 1885, when for the third time the convention of 1818 became the measure of American fishing rights and liberties.

### **The Modus Vivendi.**

On the termination of the Treaty of Washington, the Canadian Government revived its fishery regulations and gave instructions to have them strictly enforced. Seizures began again to occur, followed by diplomatic protests and the passage of a retaliatory Act through the United States Congress. In the same year, 1887, proposals were made for a new Treaty and negotiations were held at Washington by joint commissioners. This agreement, signed early in 1888, failed to secure the consent of the Senate of the United States.

Pending the ratification of the Treaty, the commissioners agreed to a *modus vivendi* whereby United States vessels were granted, on paying \$1.50 per registered ton, annual licenses, authorizing them to purchase provisions and outfits in Canadian ports, trans, ship catches and ship crews, which temporarily removed all difficulties and which despite the failure of the Treaty, was continued in force by Canada up to 1918.

Difficulties occurred in Newfoundland waters and ultimately arbitration was arranged, the tribunal to be chosen from the permanent Court of Arbitration at the Hague. This tribunal decided in 1910 that Great Britain had the right to make regulations without the consent of the United States as to the exercise of the liberty to take fish, such regulations being *bona fide*, and as a result permanent mixed fishery commissions for Canada and Newfoundland were to be established.

They also decided that the inhabitants of the United States in exercising the liberty of fishing had the right to employ, as members of the fishing crews of the vessels, persons not inhabitants of the United States.

Under the provision of the Treaty whereby American fishermen may enter bays or harbours for shelter, repairs, wood or water, it was decided that they should report at customs houses if convenient, in case there was intention to remain longer than forty-eight hours. The Commission also decided from what points in bays the three marine miles should be measured and settled other matters relative to fishing on the shores of Newfoundland.

At the present time United States vessels are limited to the provisions of the Treaty of 1818.

### **The Halifax Award.**

The Commission provided for under the Treaty of Washington met in Halifax on June 15th, 1877. As the British were submitting evidence to substantiate alleged advantages of a commercial character to American citizens it was argued by United States counsel, and so decided, that it was not within the competence of the Commission to award compensation for commercial intercourse between the two countries nor for purchasing bait, ice or supplies, nor for the permission to trans-ship cargoes in British waters.

The British case submitted that the coast fisheries of Canada embraced the fisheries on the coast and in the bays, harbours and creeks of the Dominion from the Bay of Fundy to the Gulf of St. Lawrence inclusive. The principal products consisted of mackerel, codfish, herring, halibut, haddock, hake, pollock, and other varieties used for bait, the value of which was constantly increasing.

One of the advantages that the Americans derived from the Treaty of Washington was the liberty of fishing in these British waters. About one thousand American vessels resorted thither annually, the larger number of which were fitted out for mackerel fishing, the successful prosecution of which depended chiefly on the liberty to resort freely to bays, creeks and inshore waters generally, to fish and refit, and to tranship cargoes. It was estimated that these privileges were worth \$3,600 annually to each vessel in the mackerel fisheries; the value per vessel of the other fish taken was fixed at \$2,000.

The second advantage enjoyed by the Americans was the liberty to land for drying nets and curing fish, for without it fishing would be impossible in many localities, and this liberty had been exercised for twelve years. Other advantages were trans-shipment,

outfitting vessels, buying supplies and ice, engaging sailors, procuring bait, etc., and sharing in the benefits of the service organized by Canada for the protection of the inshore fishermen.

On the other hand it was represented that the privileges gained by the British were of no value.

The British claimed on behalf of Canada \$12,000,000 and \$2,880,000 on behalf of Newfoundland; altogether the sum of \$14,880,000. The result of the inquiry was that the United States was made liable to pay the sum of \$5,500,000 to the British Government, the United States Commissioner dissenting. The finding was handed down on the 23rd December, 1877. The award was not satisfactory to the American Government and considerable delay ensued before payment, but finally this amount was paid on the 21st November, 1878.

#### **Payment of Award to Federal Government.**

Of the total amount Newfoundland received \$975,000 and the balance retained therefrom by the Dominion Government was \$4,525,000. The use to be made of this award became then a matter of consideration.

The Dominion Government claimed it as constitutionally falling within the federal jurisdiction under the terms of the British North America Act. Nova Scotia claimed a proportion of the amount based on the quantity of marine territory possessed by her and her immense fishing resources. Approximately one-half of the amount in value of the fish taken in Dominion waters was at that time caught within the maritime territory of Nova Scotia. The Commissions issued to the Governors of this province after 1763 show the extent of the jurisdiction of Nova Scotia and the inclusion therein of some of the most important fishing banks on the coast. The southern boundary is given as—"to the southward by the Atlantic Ocean from the said Cape (Cape Breton) to Cape Sable, including the island of that name and all other islands within forty leagues (120 miles) of the coast."

In the autumn of 1878 certain members of the Ottawa Government being in Halifax in attendance at the swearing in of the Marquis of Lorne as Governor-General, the Provincial Government took the opportunity to discuss the question of Nova Scotia's share in the fishery award. No decision, however, was arrived at, the members of the Dominion Government asking that the matter be referred to them by memorial.

#### **Nova Scotia Claims Share.**

Accordingly during the session of the Legislature in, 1879, an address to the Governor-General was adopted setting forth the general financial condition of the province, and the necessity of more revenue, the income of Nova Scotia not then exceeding \$447,000. In dealing with the fisheries it was stated that Nova Scotia had twelve hundred miles out of the two thousand miles of coast line owned by Canada on the Atlantic seaboard. This province had 73 per cent. of the vessels engaged in fishing; 47 per cent. of all boats; 49 per cent. of the fishermen; 50 per cent. of all nets. The percentage of the total catch caught by Nova Scotian fishermen varied from rather less than 33 per cent. to 90 per cent., and in view of these facts Nova Scotia demanded at least \$100,000 annually out of the bounty award.

The memorial concluded as follows (Journals, Assembly 1879, p 103):

"That since confederation of the British North American Provinces a new territorial revenue has been brought into existence, being the sum of \$5,500,000, "which has been paid by the Government of the United States for the enjoyment



"of certain privileges in the territorial waters belonging to certain provinces of  
"Canada and to Newfoundland.

"That it is only fair to assume that the advantages thus acquired by the citizens  
"of the United States are equivalent to the amount paid for them, and that an equal  
"if not greater amount of damage is suffered by the people of the provinces to which  
"these territorial waters belong on account of their occupation by others. Other-  
"wise the award would be unjust.

"That this House of Representatives feel bound firmly but respectfully to ex-  
"press the opinion that it cannot be maintained on the principle of justice that money  
"received for privileges extended to foreigners, the granting of which specially af-  
"fects the inhabitants of certain provinces, should be appropriated to any other  
"purpose whatsoever than that of augmenting the local revenues of such  
"provinces.

"That we therefore confidently submit that the amount of money received  
"on account of the fishery award, after deducting the allowance made to New-  
"foundland, be invested, and that the dividends resulting therefrom be allotted  
"to the provinces in proportion to their just and respective claims."

At the Session of the Legislature in 1880, a further address was presented to His Ex-  
cellency the Governor-General, restating the financial condition of the province and setting  
forth, *inter alia*, as follows:

"That a consideration of the amount and source of our revenue will show that  
"in reference to our territorial resources, at least, we are at a great and manifest  
"disadvantage.

"That our subsidy is smaller in proportion than that of New Brunswick or  
"Prince Edward Island and is more nearly in proportion to that of Ontario and  
"Quebec. Compared with these, however, our territorial revenue is smaller, and  
"thus as compared with any of the sister provinces, we are at a disadvantage,  
"having less subsidy than those of equal territorial revenue and less territorial re-  
"venue than those which have nearly equal subsidy.

"That we would ask your Excellency's attention to this matter of territorial  
"resources as being the point upon which we think we can found a just claim for  
"an addition to our revenue.

"That our territorial possessions, which are largely in the rich fishing waters of  
"our coast, have been taken away from us by the Dominion Government, while  
"those of the larger provinces, consisting mainly of wild land, have not only not  
"been taken away from them but are in process of being increased.

"That these territorial possessions thus lost to this province are of great value  
"is clearly proved by the amount of the Halifax Fishery Award; that it thus  
"became evident that we are suffering this disadvantage; that our territorial re-  
"venues are received by the Dominion Government, while those of the provinces  
"above referred to are still in their possession, and this being the case, it surely  
"cannot be disputed that some acknowledgment of this inequality should be made  
"in the adjustment of the various provincial subsidies.

"That we wish to convey to Your Excellency that the people of Nova Scotia, "as represented by us, are strongly of the opinion that the proportion of the Halifax "Award, made in consideration of the concession of privileges in the Nova Scotia "waters, should be added to the revenues of this province. That if this opinion "be disputed, it must at least be admitted that if this amount is to be gained by "the Dominion and so lost to this province, a very strong reason is furnished why "some other measure should be devised to relieve her from financial difficulties, "which under other circumstances the award would have removed. That we are "of the opinion that such proportion of the award as was paid for the privilege "of using the shores of this province for the purpose of drying nets and curing fish, "and otherwise participating in the fisheries of Nova Scotia, is clearly due to this "province, and should be at once ascertained and paid over."

### Dominion Establishes Bounty System.

The Dominion Government and Parliament did not, however, yield assent to these memorials, but in 1882 passed an act to encourage the development of the sea fisheries and the building of fishing vessels (45 Vic. ch. 18), whereby provision was made for the distribution annually among fishermen and the owners of fishing boats of \$150,000 in bounties. This represents interest at about  $3\frac{1}{2}\%$  on the amount of the Halifax Award. An Act of 1891 (54-55 Vic. ch. 42) increased the amount to \$160,000, the details of the expenditure being settled each year by Order-in-Council.

Bounty payments are now made on the following basis: Owners of fishing vessels are entitled to receive bounties on the basis of one dollar per registered ton, payment to the owner of any one vessel not to exceed \$80; fishermen were entitled to receive bounties of \$8.30 each; owners of boats measuring not less than 13 ft. keel, \$1 per boat; boat fishermen to receive bounty of \$6.65 each. The claims paid in 1924 numbered 10,104 and the total amount paid was \$159,826.

Details of the distribution of bounties for the years 1884 and 1924 are as follows:

| Provinces                 | No. of men who<br>received Bounties |        | Amount of Bounties<br>paid |           |
|---------------------------|-------------------------------------|--------|----------------------------|-----------|
|                           | 1884                                | 1924   | 1884                       | 1924      |
| Prince Edward Island..... | 885                                 | 1,546  | \$9,204                    | \$11,410  |
| Nova Scotia.....          | 6,930                               | 10,205 | 104,934                    | 86,300    |
| New Brunswick.....        | 1,224                               | 1,633  | 13,566                     | 15,634    |
| Quebec.....               | 3,429                               | 6,430  | 28,005                     | 46,482    |
|                           | 12,468                              | 19,814 | \$155,719                  | \$159,826 |

It will be noted from the above comparison that 3275 more fishermen in Nova Scotia received bounties in 1924, forty years after inauguration of the system when they were originally awarded bounties, and that this increased number of fishermen received \$18,634 less

than was paid out in 1884. The number of Quebec fishermen has nearly doubled, from 3429 to 6430, and the fishermen of that province have received \$18,477 more than forty years ago. How this distribution can be justified is incomprehensible in view of the fact that the award was based on the greater value to Americans of the inshore fisheries, which were prosecuted mainly on the Nova Scotian coast—not in the River or Gulf of St. Lawrence. Nor is there justification for payment of these bounties to Newfoundland fishermen who may form part of the crews of Nova Scotian vessels—as is the practice now. It is a wrongful diversion of federal trust moneys.

### **Criticism of Method of Distribution of Award.**

The claim was made when the bounty system was established that the method of distribution would be used for political purposes and would not afford an effective means of securing to the fishermen the advantage which the award sought to give them for the loss they had sustained in competition with American fishermen. Subsequent history has fairly well justified this contention, but no effort has been made since 1891 to improve the method of distribution of this award or provide more satisfactory scientific use of it in the interests of the fishing industry. The fishermen now receiving the bounties have no direct or personal claim on the money, as those whose interests were prejudiced by the treaty from 1873 to 1885 have long since passed from the scene of action.

In June, 1902, four of the provinces again applied to the Government of Canada for a part of this indemnity. No representations were made at the 1902 conference, as the merits of the claim were then under the consideration of the federal authorities. At this period in provincial history it is important to note that in the years 1901 and 1903 the House of Assembly appointed special committees to inquire into the condition of the fisheries of the province with a view to facilitating the transportation of fresh fish, the enlargement of markets, the propagation of lobsters and the securing of various other betterments (See H. A. Debates 1901, pp. 192-196 and appendix No. 24, Journals H. A. 1903 and Debates H. A. 1903, pp. 255-259).

Greater official interest has undoubtedly been taken more recently and many substantial benefits have been obtained. Considerable research work is being carried on by the Biological Board and a station established at Halifax. As a result of the cooperative arrangements between the Federal Department and the Canadian Fisheries Association, the Government and the trade contribute to a fund, \$10,000 each, which is used for advertising in Canada the advantages of a fish diet. This could be substantially increased with great advantage. Changes have also been made in express rates at the instance of shippers which have materially assisted in enlarging the markets for fresh fish.

### **One Policy for West: Another for East.**

It should be noted, however, as is elsewhere more fully outlined that the Dominion Government pays large sums annually to each of the western provinces as subsidies in lieu of the natural resources withheld from them. This payment is made not to individual farmers and homesteaders, not to incorporated companies in the land business, but to the Government of the province itself for certain natural resources which are being administered by the Dominion Government.



In all these calculations the interest paid to the provinces is computed at the rate of 5 per cent. Yet in dealing with the Maritime Provinces, the Governments thereof are not permitted to administer funds which have been received as an equivalent for sharing their territorial resources with an alien power, but constitutional objections are raised and the Federal Government uses the money for the general purposes of administration of its fisheries all over Canada and passes out  $3\frac{1}{2}$  per cent. to the fishermen year by year. On the other hand the western lands, while withheld from the provinces, are nevertheless administered for their benefit and the proceeds thereof paid over to them. Even if the cost of handling the bounty money were charged up to the fund and not paid out of the general consolidated revenue of Canada, there would still be a large balance available for the provinces that could be used to advantage in promoting the interests of the fishing industry.

### **Moneys Withheld from Nova Scotia.**

The Dominion Government enjoyed the benefit until 1882 of the award, no bounties being paid to fishermen till that year; from 1882 to 1891, calculated on a basis of five per cent. rate of interest, approximately \$76,250 was withheld per year, and from 1891 to the present date approximately \$66,250 of interest per year of that award has gone into the Federal Treasury.

The treatment accorded other provinces in respect to their natural resources and that accorded these provinces in respect to their fisheries will not bear satisfactory comparison. Calculated on the basis of five per cent. (and the principal sum has certainly been worth that rate of interest to the Federal Treasury) there has been used for other than the purposes for which the award was made in the interest of the fishermen of the Atlantic Maritime Provinces a sum of over \$4,400,000. This sum should be made available to these Provinces.

While administration of the fisheries department is a matter of federal jurisdiction, it has nevertheless been found necessary and expedient for the province to expend moneys for the benefit of its fishermen. Cooperatively with the Department of Marine and Fisheries it carries on a School of Navigation in the Technical College at Halifax, one of the most efficient in the Dominion. The province has also spent large sums of money for the subsidizing of steamers in order to secure the quicker transportation of fresh fish to the markets and trans-shipping centres. In 1926 steamship subsidies total \$85,770.00. It has been exhibiting samples of fish and making provision for a booth at the Toronto Exhibition and made further expenditures in the interests of the fisheries. Under these circumstances the province claims a right to share in the Halifax Award, the benefit of the whole of which is now received by the Government of Canada.

## THE VALUE OF THE FISHERIES.

The importance of the fisheries may be judged by the value of the catch, which totalled for the three Maritime Provinces for 1925, \$17,000,000, Nova Scotia's share of that catch being \$10,250,000. The total investment in the fishing industry of the three Maritime Provinces is \$18,500,000, Nova Scotia's portion being \$12,000,000. The total number of persons employed was 36,000, Nova Scotia having 20,000. The total value of the catch for the whole of Canada is approximately \$50,000,000 with an invested capital of \$45,000,000 while there are 74,000 employees in connection therewith.

The fisheries of the Atlantic Coast are very prolific and extensive. The catch and the value of the catch may be vastly increased. With proper encouragement and efficient administration, the fishery resource is bound to be of great and increasing economic value.

In addition to the large number of persons now employed in the fisheries of Nova Scotia, a very considerable number are employed in the building of vessels and boats, and in the manufacture of boxes, rope, twine and other accessories. Ten years ago there were 30,000 persons employed in connection with the fisheries, so that the loss in the numbers employed affects directly and injuriously the prosperity of the province and its general progress.

The shell fisheries of this province, upon which a large section of our population depends for their livelihood, have been dissipated to a ruinous extent. Twenty-five years ago, the oyster fisheries of the Atlantic provinces produced about 60,000 barrels annually. This production has now decreased to less than 20,000 barrels. In Nova Scotia the lobster catch has decreased since 1912 from over 33,000,000 pounds to 17,000,000 pounds, and in New Brunswick and Prince Edward Island at the same ratio. In this industry, as in the distribution of bounties, political exigencies have too frequently been the criteria on which regulations were framed.

### Fisheries Administration.

The administration of the fisheries has been controlled by the Federal Government as a part, and, that a minor part only, of the Marine and Fisheries Department. The important marine interests of Quebec, Montreal and the Pacific Coast have too frequently occupied ministerial attention to the exclusion of consideration of conditions affecting the fishery resources of these provinces. Perhaps more than aught else from an administrative point of view the fishing industry suffers from a lack of settled policy, producing inefficiency on the one hand and discouragement on the other.

### Recommendations.

It is therefore submitted that necessary improvements would be effected if the following recommendations were adopted:

1. The establishment of a separate Department of Fisheries, with a minister and deputy familiar with fishery problems and untrammelled by other departmental duties; or the creation of a Fishery Board charged with the regulation and administration of the fisheries of the Maritime Provinces; and to ensure continuity of policy and independence of action, members of the Board should be appointed for a term of at least ten years and be resident in the Maritime Provinces, thus obviating the present difficulty of absentee control.

2. Extension of the policy of advertising throughout Canada the use of sea food products as a regular diet, and the expenditure of larger appropriations for this purpose.

3. The development, in addition to present provisions for this purpose, of a policy for the encouragement and erection of cold storage warehouses at central points of trans-shipment.

4. The complete removal of the handicaps hampering the industry in respect to railway, express and freight rates, so as to afford easier access to the central and western markets of Canada and the United States.

5. Revision of the system of payment of fishing bounties and provision for securing to the fishing industry the full benefits of the Halifax Award and payment to the provinces of moneys withheld by Federal Government on a fair interest computation, now totalling over \$4,400,000.

6. The creation of a fund out of which assistance by way of loans could be rendered to fishermen who have suffered loss of gear and equipment through stress of weather and thus been prevented from continuing the pursuit of their calling, to their own injury and the detriment of the industry at large. This might also be effected by means of insurance against such losses.



## AGRICULTURE, IMMIGRATION AND COLONIZATION.

### Population.

One of the accepted tests by which the progress and development of a country or province may be measured is supplied by its decennial census reports, and of particular interest and significance in measuring the progress of Nova Scotia are the returns pertaining to the population of the province found in the census reports for Canada for the various decades prior to and after Confederation.

Data relating to the population of Nova Scotia—nature and extent of increase, age ranges, occupations, percentage of wage earners, etc., when compared with similar data pertaining to the provinces of Ontario and Quebec, and of the Dominion as a whole—present a striking contrast.

In 1871 the total population of the Dominion was 3,689,257; of Quebec 1,191,516; Ontario 1,620,851; Nova Scotia 387,800 and New Brunswick 285,594. During the fifty-year period 1871-1921 the population of the Dominion increased 138.22% (8,788,483); Ontario and Quebec 89.58% (5,294,861) while the increase in Nova Scotia amounted to only 35.08% (523,837). Had the population of Nova Scotia increased at the same percentage rate as Ontario and Quebec, today it would be 734,991, and if at the same percentage rate as the Dominion, 923,797.

In 1851 the population of Nova Scotia was 276,117; in 1861, 330,857—a gain of 54,740, or 19.82% in 10 years. In 1871 there were 387,800 people, a gain of 56,943, or 18%. In 1881 the population was 440,572, an increase of 52,772, or 13.6%. Had Nova Scotia continued to increase as it did during the ten-year period 1851-1861, the population of this province today would be 1,000,000 or over.

The 1921 census gives the population of Nova Scotia as 523,837. A provincial survey conducted in 1924 indicates that in spite of the fact that our natural increase between the years 1921-1924 amounted to 22,645, the total had dropped to 515,762. In other words the net loss in population in four years was 39,720.

In 1871 the population of Nova Scotia was 10.51% of that of the Dominion, but by 1921 the percentage had dropped to 5.96%.

Although the total population of the province in 1921 shows a 35% increase in fifty years, this increase does not even account for our normal, natural increase.

In Nova Scotia, the number per thousand up to 19 years of age is on a par with the other provinces of Canada, but there is a decided falling off in the number between the ages of 20 and 44, and a marked increase of those from 70 years upwards.

### The Occupation of Farming.

A study of the ages of farm operators shows that Nova Scotia has the lowest percentage of any province in the Dominion up to the age of 39 years; from 40 to 49 years the lowest of all provinces but Prince Edward Island; from 50 to 59 years higher than all provinces but Ontario and British Columbia, which, however, are only 1% higher, while for ages of 60 years and over Nova Scotia has the greatest percentage by from 3.8 to 23%, or 14.3% above the average for the whole Dominion. These figures are highly significant showing as they do that 31.1%, or nearly one-third of all our farmers, are over 60 years of age.

A comparison of the number of years the farmers of Nova Scotia have been engaged in farming, with the number of years they have occupied one farm, gives some striking figures. We find that 44.8% of the farmers of this province have been farming twenty years or over and that 42.2% have been working for 20 years or more on the one farm. These averages are higher than for any other province in the Dominion. This would indicate that a small percentage of Nova Scotian farms change hands, compared with those of the other provinces, and also indicates the small percentage of young people who are engaged in agriculture in this province as compared with the rest of Canada.

In 1871 there were 46,316 farms under cultivation in Nova Scotia. The total area of improved land was 1,627,091 acres and the area under crop was 790,155 acres. In 1921, fifty years later, there were only 47,432 farms, 992,467 acres of improved land and 688,060 acres under crop—a marked decrease both in the acreage of improved land and in the under crop.

The above figures clearly indicate that from a number of points of view Nova Scotia has not been keeping pace with other provinces of Canada, or with the Dominion as a whole. One result of the slowness in growth of population is that the influence of the province in Canada's economic life is only about one-half of what it was fifty years ago. Our representation in the Federal House has decreased accordingly. The exodus of our young people has resulted in our population being composed to a large extent of children, old men and women, and a comparatively small percentage of wage-earners. It is apparent from the low rate of increase in population that Nova Scotia has not succeeded in keeping all the population which the natural increase and immigration have added to it.

The slowness of growth in population has had a disturbing effect on the economic and commercial life of the province. Larger growth, and larger population in Ontario and Quebec have meant more powerful industrial, commercial and financial institutions, which have consequently absorbed a large number of Nova Scotian concerns of similar character.

### Canada's Immigration Policy.

To see clearly the real significance of the immigration policy of the Federal Government in connection with the development of Nova Scotia it is necessary to review what has taken place since Confederation.

Section 95 of the British North America Act reads as follows:—

“In each province the Legislature may make laws in relation to agriculture in the province and to immigration into the province; and it is hereby declared that the Parliament of Canada may from time to time make laws in relation to agriculture in all or any of the provinces, and in relation to immigration in all or any of the provinces; and any law or legislation of the provinces relative to agriculture or to immigration shall have effect in and for the province as long and as far only as it is not repugnant to any Act of the Parliament of Canada.”

Consequently, after Confederation in 1867, immigration to all the provinces came largely under Federal direction. A special department was organized at Ottawa to handle the work. Because of the immense agricultural possibilities of Canada the department naturally specialized in the encouragement of settlers who would engage in agriculture. Immigration offices were established in the leading European cities, such as London,

Liverpool, Glasgow and Antwerp, with Government representatives in charge. Circular printed in various languages were supplemented by newspaper advertisements, exhibits of Canada's products, the distribution of maps, etc. Federal bonuses of £1 on immigrants over eighteen years of age and ten shillings for everyone between one and eighteen years were given to booking agents. Additional provincial bonuses were frequently available and the steamship and railway companies offered percentage commissions based on the amount of the steamship and railway fares. It was an inducement, therefore, for the agent to book as far west as possible, and unless the eastern provinces met this competition by a like bonus or commission there was small chance of getting any of these settlers. At any rate, every influence was against immigration into the Maritimes, the agents being frequently the determining factor, not the settlers' advantage. Salaried representatives were also placed in important cities of the United States, and bonuses and commissions were likewise given to sub-agents appointed by them. The Department also made a practice of sending successful farmers, who had come out as immigrants, back to their home districts during the winter months, to tell the story of their success in Canada. This propaganda was carried on for the exclusive benefit of Central or Western Canada.

### **Immigration Policy Has Operated To Disadvantage of Nova Scotia.**

Not only have the Maritimes not secured a fair share of immigration, but there has been a constant and substantial movement from these provinces to Central and Western Canada and the United States.

In 1872 the Dominion Government embarked on a policy of immigration for the western provinces. Not only has this policy operated to the disadvantage of Nova Scotia, but the railway companies have also taken advantage of every opportunity to direct the flow of immigration to Western Canada, a policy perhaps satisfactory to themselves and the western provinces, but decidedly detrimental to Nova Scotia and the east.

That comparatively few agricultural settlers have come to Nova Scotia and taken up farms, is indicated by the fact that of the total of 46,440 farm operators in the province in 1921, 43,178 were native-born Nova Scotians; 3,262 were born in other provinces of Canada; 888 were British-born; 255 were born in the United States and 211 in other foreign countries.

The immigrant required for the Maritime Provinces, particularly for Nova Scotia, is naturally different in type to that suitable for the prairie provinces and the hinterlands of Ontario and Quebec, with their large open areas. However, the settlement opportunities of this province are of sufficient magnitude to warrant special consideration. But one-quarter of the land of Nova Scotia has been cleared, and only about one-half of that is under cultivation, while it is estimated that 60 per cent. of the entire area can be cleared.

There is a wide field in Nova Scotia for an expanding export trade and by its geographical position and physical features the province offers many inducements to industry and commerce. The supply of coal is abundant and the water powers are ample and widely distributed. Many and varied raw materials await utilization and the province is in a particularly advantageous position to enable it to cater to the overseas market.

During the period when the coal and steel industries were being developed in Nova Scotia, our farmers increased their production of perishable crops to a very considerable extent,



and no doubt would have done so to a greater extent had the home consuming market been further enlarged by the development of these industries. Only through the development of industrial activities can we anticipate a normal rate of progress and an increase in the production of perishable agricultural commodities.

### **Nova Scotia Suffers by Withdrawal of Dominion Aid to Agriculture.**

From a governmental standpoint Nova Scotia, in common with the other provinces, received a special impetus to agriculture during the years 1912-1923, when, under the provisions of the Dominion Agricultural Instruction Act, a special subvention was given by the Federal Government. At the time this subvention was granted the amount was practically equal to the total grant which the Government of Nova Scotia was itself able to give for the encouragement of agriculture. A study of the history of agriculture in Nova Scotia during the period when this federal grant was available will reveal a substantial development but the grant has now been withdrawn, and the Government of this province experiences great difficulty in maintaining the services developed during the period when the subvention was being received. It may be said that this condition has been shared in common by all the provinces of Canada, but it is pointed out that the federal aid to Nova Scotia was relatively large in proportion to the amount the province could afford to expend out of its own treasury. This was not the case in some of the larger and wealthier provinces.

There was a period, half a century or more ago, when Nova Scotia shipped by cheap water transportation potatoes and other agricultural produce to the New England market. Since Confederation, that market has been gradually lost and it has been found impossible to develop an alternative market in Upper Canada. It undoubtedly called for great sacrifice on the part of the farmers of this province to forego the advantage of the American market, as Nova Scotia is especially adapted to the production of vegetables, fruits and like perishable products which find a ready sale in the industrial centres of the New England States.

A great deal of propaganda has been carried on by the federal and provincial Governments, but propaganda in itself, no matter how extensive, can do little, at the present time, to stem the tide of the Nova Scotian exodus. Only a strong policy for the upbuilding of Nova Scotian industries will enlarge the home markets for the Nova Scotian farmer and make the cultivation of the soil a more profitable occupation.

While numbers of immigrants have come to Nova Scotia in the past, so much emphasis has been placed on the opportunities offered by Western Canada, that it has been impossible to hold them. The exodus to the West has been due not alone to the information given intending settlers before leaving their homes, but has been further stimulated by the fact that so many native-born Nova Scotians have been obliged to leave their home province. The railway companies have assisted this immigration with low railway fares and harvest excursions which have aroused the natural desire of the native citizen as well as the new-comer to investigate western opportunities. The immigrant has scarcely been settled in Nova Scotia before he has been offered these inducements to entice him away.

### Need of Federal Colonization Policy for Nova Scotia.

From the foregoing it will be noted—

1. Under the British North America Act, responsibility for the development of immigration and agriculture is divided between the Dominion and the province of Nova Scotia.

2. Nova Scotia has assumed her full share of this responsibility. An Agent-General for Nova Scotia is being maintained in London, England, at an annual cost of \$19,640.38 (1924-1925), for the purpose of interesting prospective settlers and investors in the opportunities offered by this province. A special department of the Government of Nova Scotia (Department of Natural Resources) has been organized, one purpose of which is to further and direct provincial colonization and agricultural development.

3. While a great deal has been accomplished in the province along the lines of improved agricultural methods, the average prosperity of the farming population is far from satisfactory. This is due to—

- (a) lack of development of local industries, the absence of adequate cold storage facilities, etc., which have resulted in lack of growth of local or foreign markets for perishable agricultural products;
- (b) the decrease in volume of production of certain commodities, due largely to a lessening rural population, has made difficult the development of an export trade or of a satisfactory marketing system for agricultural products.

4. There is a deep-seated popular conviction that this province has never been compensated for the sacrifice it made in giving up its profitable water-borne trade in agricultural products with New England.

5. The Federal Government should continue to give financial assistance to the provinces for agricultural development work, and make available to Eastern Canada special grants to be used for immigration, and allot them on the principle that was so satisfactorily worked out on a cooperative basis under the Dominion Agricultural Instruction Act.

6. Until a marked improvement in industrial conditions in Nova Scotia is brought about, the rural population will continue to suffer from emigration, and it will be impossible to attract new settlers. The policy of the Federal Government should, therefore, be shaped so as to facilitate and speed up industrial development in Nova Scotia. The right kind of an immigration policy should provide measures to—

- (a) stop the exodus from the province;
- (b) encourage those who have left to return;
- (c) attract others to assist in building up the province agriculturally, industrially and commercially.

7. The Federal Government, in addition to paying more attention to the province of Nova Scotia in its general publicity work, should and would be fully justified in granting special financial assistance for expenditure under the direction of the provincial authorities to promote the development of her natural resources other than agriculture.

The report of the Agricultural Enquiry Committee, 1926, presented to the Legislature and containing suggestions for improvements to be effected in the agricultural life of the province, is submitted for the information of the Commission. Many of these require additional provincial expenditures which cannot be fully provided without further revenue, which should be made available for this purpose through federal grants.

## MARITIME REPRESENTATION IN THE HOUSE OF COMMONS.

A conference of the representatives of the provinces of Canada met in December, 1910, convened by the Prime Ministers of Ontario and Quebec, to consider the representation of the Maritime Provinces in the Parliament of Canada. This question was discussed at considerable length, but no decision was reached.

A further conference was held in October, 1913, at Ottawa, to continue the study of the question of representation and other matters. A resolution was moved by the Premiers of New Brunswick and Prince Edward Island:

"That, in the opinion of this Conference, the representation granted to the  
"Maritime Provinces at the time they respectively entered Confederation should  
"be restored and rendered irreducible."

After considerable debate, this resolution was withdrawn and another substituted to the effect that an amendment to the British North America Act be sought providing an irreducible minimum in the representation of the Maritime Provinces of eighteen for Nova Scotia, thirteen for New Brunswick and six for Prince Edward Island. This also was withdrawn, and a resolution dealing with the problem of Prince Edward Island was introduced. Finally, the conference passed the following:

"Resolved—That this Conference expresses the opinion that, not represent-  
"ing the provinces for the purposes of this matter of representation, it declines to  
"take any action in regard to it."

At this Conference two memoranda were presented, one by the Premiers of Nova Scotia, New Brunswick and Prince Edward Island, and the other on behalf of Prince Edward Island, urging its special claim. At that time, 1913, as a result of the census of 1911, Nova Scotia's representation had been reduced from eighteen to sixteen, New Brunswick's from thirteen to eleven, and Prince Edward Island's from four to three. The representation of the Western provinces had increased according to their population.

One result of the Conference was an amendment to the British North America Act (5-6 Geo. V. C. 45) providing that "notwithstanding anything in the said Act, a province shall always be entitled to a number of members in the House of Commons not less than the number of senators representing such province." This enabled Prince Edward Island to retain a fourth member.

### Nova Scotia Loses Members.

The population of Nova Scotia increased from 1911 to 1921 by 31,499. Quebec's population increased at a relatively larger rate, so that the unit of representation after the 1921 census became 36,283. Nova Scotia's representation in the House of Commons was therefore reduced from 16 to 14. The population contained 33,965 more than was necessary to give fourteen representatives, but because we had fallen 2,318 below the fractional part, not exceeding one-half of the whole number required to entitle the province to a member, our population to that extent was disregarded, and we suffered the loss of one member. Nova Scotia could not retain its members, as Ontario did, under subsection 4 of section 51 of the B. N. A. Act, whereby no reduction can be made unless the proportion which the population of the province bears to the total population of the Dominion be diminished by one-twentieth part or upwards.



It may be difficult to overcome an effect such as this, but it is a fact that there are 33,965 persons in Nova Scotia unrepresented in the House of Commons, while there are in Canada, outside of the Maritime Provinces, ninety-six electoral districts returning members with less than that population within their bounds. The membership for Nova Scotia cannot be reduced below ten, the number of our senators. But if by the increase of population in Quebec our representation were lowered to this minimum, it would mean a total reduction since Confederation of nine. This is a condition which is being rapidly approached.

### **The Unit of Representation.**

Had the unit of representation, instead of being 36,283, been 36,125, a difference of 158, Nova Scotia would have been saved another representative, and instead of having fourteen members in the House of Commons would have had fifteen; that is, if the population of Quebec had been less by 10,287 persons the unit would have been so reduced.

By the B. N. A. Act, section 51, sub-section 2—

“There shall be assigned to each of the other Provinces such a number of members as will bear the same proportion to the number of its population (ascertained at such census) as the number sixty-five bears to the number of the population of Quebec (so ascertained).”

Quebec is defined by this Act, section 6, as follows:

“The part of the province of Canada (as it exists at the passing of this Act) which formerly constituted respectively the provinces of Upper Canada and Lower Canada, shall be deemed to be severed, and shall form two separate Provinces. The parts which formerly constituted the province of Upper Canada shall constitute the province of Ontario; and the part which formerly constituted the province of Lower Canada shall constitute the province of Quebec.”

That is, the population to be taken is the population of the territory known as Quebec at the passing of the British North America Act. But the population of Quebec which has been taken as the basis for the unit of representation since 1900 is the population of that province as originally constituted, plus the population of the extensions made by chapter 3 of the Acts of 1898. It is now possible from information at hand to ascertain just what population was counted in these added territories, for they contain all of Abitibi, the district of Labrador, and what is known as part of East Maine, all that territory north of the height of land, part of it being transversed by the National Transcontinental Railway. In extending the boundaries further in 1912 the territory then given to Quebec was excluded in considering the population for forming the unit of representation, but the population added by the Act of 1898 is included.

### **Nova Scotia Entitled to Fifteen Members.**

A statement from the Dominion Statistician shows that there were 13,644 people in this area. These should not have been counted in determining the unit of representation. Excluding them, the unit becomes not 36,283 as used, but 36,073. This figure divided into the population of Nova Scotia 1921 gives 14 and a fractional part, exceeding one-half of the whole united number by 778 and entitling this province to another Federal member. The representation in the House of Commons from Nova Scotia, as fixed by the Redistribution Act, 1924, (14-15 Geo. V. C. 63), should therefore have been fifteen members. The province was under-represented in the last Parliament by one member and will be in the next unless immediate steps are taken to correct this error.

### Quebec's Population Supposedly Equable.

Sir John A. Macdonald stated in the Parliamentary debate on Confederation in 1865: "....By adopting the representation of Lower Canada as a fixed standard—as the pivot on which the whole would turn—that province being the best suited for the purpose, on account of the comparatively permanent character of its population, and from its having neither the largest nor the least number of inhabitants."

But instead of the population of Quebec being "comparatively permanent" in its character it has shown a relatively large increase and is overflowing into territory which did not form part of its original area. Taking the original provinces into consideration, Nova Scotia has increased in fifty years 35.8%, New Brunswick 35.2%, Quebec 98.17% and Ontario 80.99%. Quebec, therefore, has shown the largest relative percentage of increases of the four original provinces and is the least stable in character instead of being comparatively permanent.

Gray, in his account of the Conference at Quebec, states:

"Thus at the first inception on entering into the Union, population was not intended to be held as the only rule for representation. Though taken as a guide, the apportionment must be more or less arbitrary. Existing arrangements, territorial and other considerations must be taken into account, and modifications to suit circumstances necessarily made; but, after entering the Union, future changes of the entire representation were to be governed by that principle. . . . The Conference, therefore, while taking population as the basis, and laying down that strictly as the rule, acted upon the principle that in the first instance territorial area and local circumstances must also be considered."

### Analogy from the United States.

Something of a similar character seems to have taken place at the formation of the original constitution of the United States. There, each 30,000 of the population is entitled to a representative. Similar fears to those later expressed in Canada had been expressed by the representatives of the smaller states in discussing the situation, and it was some time before an agreement was reached. There, however, the equalizing status was gained by allowing to each state two senators only, to be elected by the state legislatures. Additional powers were, however, given to the Senate, so that the influence of the smaller states would continue to be felt. The right to introduce money bills was limited to the House of Representatives, as it is in Canada to the House of Commons; the Senate, however, was given authority to amend money bills, a power which the Canadian Senate does not possess. The senators were elected representatives of the states; in Canada they are representatives chosen from the provinces. Further additional powers were given to the United States Senate in connection with treaty-making and other matters, which have tended to increase the influence of that body in American public life as the years have passed, and with it the influence of the state life upon the Union. In Canada the different sections of the country are said to be equalized, the Maritime Provinces forming one group, from which twenty-four senators are chosen, and Quebec, Ontario and the Western provinces respectively sending the same number to the Senate.

### The Reduced Maritime Representation.

The following table shows the representation allowed the Maritime Provinces from time to time:

|                           | Original<br>number | 1881 | 1891 | 1901 | 1911 | 1921 |
|---------------------------|--------------------|------|------|------|------|------|
| Nova Scotia.....          | 19                 | 21   | 20   | 18   | 16   | 14   |
| New Brunswick.....        | 15                 | 16   | 14   | 13   | 11   | 11   |
| Prince Edward Island..... | 6                  | 6    | 5    | 4    | 3    | 4    |

### The Maritime Memorial.

The memorial which was presented at the Interprovincial Conference in 1913 on behalf of the three Maritime Provinces forms substantially their claims today. The memorial reads:

"The question of the legal right of New Brunswick and Prince Edward Island "to retain their original representation was referred to the Supreme Court of Canada "in 1903, and was decided against these provinces. On appeal to the Privy Council "the answer of the Supreme Court to the question submitted was held to be correct.

"We must bow to this decision so far as the strict interpretation of the written "contract is concerned, but this was not the expectation and belief of the delegates "at the time of the negotiation of the terms of Union, for the Honourable George "Brown, in moving the resolution fixing the number of representatives which each "Colony should have in the House, stated: 'The practical result will be that while "Lower Canada certainly will not be less and the Lower Provinces may increase "in population, they cannot decrease in the number of representatives. It keeps "the House within a reasonable limit.' "

And in a speech delivered at Sherbrooke in 1864, shortly after the Quebec Conference, Hon. A. T. Galt had said:

"We have supposed that the population of Lower Canada, being tolerably equa- "ble in its character, would afford the best basis. But having respect to the rapid "increase of Upper Canada, we think the Lower Provinces should not be reduced "if they do not increase in the same ratio. Therefore, the Lower Provinces would "have the same as they have now unless in the very improbable case of any one "falling off by five per cent. or more—that is, a decrease relatively to the whole "Federation.

"Representation by population, while accepted as a guiding principle in fixing "the representation of each province, in the Dominion Parliament, was intended "to be made subservient to the right of each colony to **adequate** representation "in view of its surrender of a large measure of self-government. In consideration "of surrendering its independent colonial status, each colony was entitled to such a "representation in the Federal Parliament as would be sufficient to guard that "right.

"A self-governing colony was something more than the number of its in- "habitants."

### Population not the Sole Basis.

"The principle that population was not the sole consideration in fixing re- "presentation was recognized in the cases of Manitoba, British Columbia and "Prince Edward Island when these Provinces respectively entered the Union.

"Manitoba, with a population less than one unit of representation, was given "four, with a provision that after the census of 1881 its representation should be "readjusted' under the terms of the British North America Act.

"The census of 1881 showed a population of sixty-two thousand two hundred "and sixty, which would have entitled it to three members, but it was 'readjusted' "up to five.



"British Columbia, with a white population of less than ten thousand and a total population not exceeding forty thousand when it entered Confederation, in 1871, was given six members as an irreducible minimum. In 1881 it had but two units of representation and in 1891 four units.

"Prince Edward Island obtained six members upon entering Confederation with but five units of population, passed the census of 1881 in the same condition, but, not being safeguarded as was British Columbia, was reduced to a representation of five after the census of 1891.

"It may be said that in each of these cases there was the expectation of such increase as would in time bring all the provinces upon the basis of representation allowed upon entering Confederation. Admitting such to be the case, it goes to show that the splendid optimists who made Confederation thought only of readjustment upwards and not downwards.

### **Maritime Contribution to Canada.**

"When the Maritime Provinces entered Confederation it was impossible for them to have foreseen the extent and effect of the development of Western Canada. They never imagined that in the days to come the growth of the West would strip them of their influence in the councils of the nation. Though the times were not over prosperous, they contributed their share to the cost of purchasing the lands from the Hudson Bay Company and equipping them for settlement; bore their part of the cost to Canada of the Canadian Pacific Railway and all the other vast expenditures that went to link together the far-flung provinces of Canada and to convert the wilderness into thriving communities out of which have developed the splendid prairie provinces of today.

"But most of all, they gave their sons and daughters to the West. From Manitoba to the Pacific coast the Maritime Provinces people form an important element of the population who have played no small part in the development of these new lands.

"All these contributions the Maritime Provinces have cheerfully made in the interests of Canadian unity and progress; but they feel it a cruel exaction of the strict letter of the bond which will impose a lasting penalty upon them for the sacrifices they have made in such a cause.

### **Effects of Western Development.**

"Another ground upon which the Maritime Provinces claim consideration in respect of their representation, is that they had as good a right to share in the public demesne of Canada as had those provinces upon which it was bestowed. It is true that the Maritime Provinces have claimed a share of the value of these lands, but that does not touch the question now under consideration. The territories added out of the public demesne will increase, to a limit not now possible of calculation, the representation of these provinces in the Federal Parliament.

"The Maritime Provinces, situate as they are, could not well obtain their share in actual territory, but it is surely just that they should not, by reason of the aggrandizement of the provinces more favorably situated, be compelled to accept a representation decreased not only relatively but absolutely in the Canadian Parliament.

"There is surely something wrong with a system of representation which penalizes some provinces for the sacrifices they have made in sending their children and their means to upbuild the other parts of the Dominion, and which would fail to make any special allowance in their representation in the Canadian Parliament in respect of their isolated position which prevents them from enlarging their bounds out of the public lands of Canada!"

For the reasons herein set forth it is claimed that the representation of the Maritime Provinces in the House of Commons should be restored to the number allowed upon entering Confederation, upon terms that the same may not in future be subject to reduction below that number.

Further, an inquiry should be immediately instituted to ascertain if the unit of representation having been wrongly fixed, Nova Scotia is not entitled to at least one more member in the House of Commons, since the Redistribution Act of 1924.

## CONCLUSION.

The statements heretofore submitted in respect to the disabilities of this province within the Confederation present in outline the historical features that bear directly on the problems of to-day. The references given will enable members of the Commission to substantiate what has been set forth in recital, and the case of the Nova Scotia Government has been fully established by the evidence tendered and testimony given during its sittings.

Sixty years ago **the compelling force of Imperial necessities** brought the Dominion of Canada into existence. The Confederation measure was, as expressed by Buckingham, believed "to be not merely conducive to the strength and welfare of the province, but also important to the interests of the whole Empire." Subsequently the revolt against the union and **the popular movement for its repeal** assumed formidable proportions. Buckingham did not hesitate to appeal to the inhabitants of Nova Scotia to desist in the agitation "as faithful subjects to Her Majesty." But coupled with that appeal was **the promise of betterment**—a promise given and repeated but not yet realized.

The necessities of the time created the Confederation. But in the process of years the Parliament of the Dominion, to quote the Duke of Buckingham's phrase, "has not been fully alive to both the justice and the expediency of consulting all the various interests" of this province. In the case which has been submitted to the Commission examples have been multiplied supported by witnesses, and the public records of this province demonstrate **the inequalities and unjust discrimination under which Nova Scotia has been laboring as a member of the Confederation family.** It may not be possible at a period so remote from Confederation to adjust all these. At least some of the scars of old wounds must ever remain as a constant reminder. Yet, despite grievances and disappointments, we point with pride to the achievements of Canada and all that for which the Dominion stands. Nova Scotians of the twentieth century inherit the aspirations of our fathers **to develop a great Canadian Nationality within the British Empire.** There is throughout the whole Dominion a unity of sentiment and of purpose but not a unity of interest. Diversity is inevitable. Uniformity is not possible. The very variety of race, of climate, of resources, will give a certain piquancy to national character.

In the construction of an edifice, the wise builder applies **two important tests: Is the plumb line true? Has the level been rigidly observed?** If the plumb line be correct and the level not exact, then the structure is faulty and will not endure.

The plumb line of the Canadian structure is true; our aspirations are lofty; our ideals high—but we do not as provinces measure up to the test of the level. And not until the level shows true will we have laid securely the foundation of a great national edifice—a solid foundation, as was said "that would bear the tempest and the waves; that would stand for ages and afford an exemplification of the solidity of our institutions."



Some such practical remedies as have been suggested to this Commission in this case must be applied in a broad and generous spirit if confidence and hope are to be restored to our people. The earnest desire of the people of Nova Scotia is to advance the interest of their province as an integral unit of the Dominion and promote its growth within the bounds of Confederation. But **there is a profound and widespread conviction that we have not received equal treatment** with our fellow members of Confederation; nor realized in our existence as a province the expectations that might reasonably have been entertained by our people when the union was consummated. Some of our disabilities are traceable directly to Confederation and are incident thereto; while others may be ascribed to new conditions which have arisen with the march of progress, and to problems which our statesmen as yet have failed to solve.

To trade was our livelihood; our ships, manned by native sons of Nova Scotia, sailed the seven seas. Ship-building and commerce were the breath of our industrial life; but passing years have effected the complete transformation of these conditions. The passing of the wooden ship has deprived Nova Scotia of the greatest of its pre-confederation industries, and of its outstanding importance in shipping, trade and commerce.

**The larger establishments of the central provinces have almost completely monopolized the Nova Scotia market** to the displacement of the flourishing mercantile houses which carried on business in this province in pre-confederation years. The Maritimes have merely served to provide a convenient market for the surplus products of Ontario and Quebec, which provinces likewise enjoy almost exclusively the new markets created as a result of the rapid and satisfying growth of Western Canada. **Throughout the entire period of Confederation, Nova Scotia has been denied equality of opportunity and trade.**

We have borne our full share of the burdens incident to the construction of **three great railroads**, namely the Intercolonial, the Canadian Pacific and the National Transcontinental, all of which were designed to bring us interprovincial trade and to develop our ocean ports. **Not one of these has fulfilled the promises given when projected.** The United States, South Africa and Australia worked out their transportation problems to the advantage of every unit of their respective confederations. The east and west channels of Canadian trade have never been fully and fairly developed. **The bonds of commerce alone can bridge the chasm that divides us.** To this end there must be such a recasting of the freight rate structure and such a readjustment of the customs duties as will overcome the handicaps that obstruct our trade and crush our industries.

**National considerations demand that the coal and steel industries of this province shall be placed in the same position in respect to the tariff as that of the flourishing industries of Quebec and Ontario.**

With coal resources on the seaboard, and with a magnificent system of internal water communication, constructed at tremendous cost, shall we not be allowed to share in the advantages of such a heritage? We have already outlined a policy in this regard which if intelligently carried out will enure not only to the benefit of the Maritimes, but to the whole of Canada as well.

Suggestions have been made in the course of this enquiry by competent experts, for improvement of conditions in **the fishing industry of Nova Scotia**. While by the terms of Confederation the administration of fisheries falls within the federal jurisdiction, experience has shown that absentee control has not tended to its best interests. **The handicap of freight and express rates** will, if and when completely removed, enable our merchants to reach the available markets for the products of our fisheries. We are entitled as well to the **full benefits of the Halifax award**, of which we have been denied for upwards of forty years.

**We claim a fair readjustment of our financial relations with the Dominion**, not only as an equitable right, but as a measure of justice, which is vital to the continuance of our existence as a self-governing province.

The evidence is overwhelming. The Fathers of Confederation greatly underestimated the financial requirements of civil administration within the provinces, and the subsidies set apart for that purpose have proven entirely inadequate in the case of the smaller provinces.

This mistake was corrected when Manitoba, and later Alberta and Saskatchewan were given provincial status.

**We ask that it be now rectified in the case of Nova Scotia as well.**

We ask for an award in respect to our beneficial interest in the federal domain, as set forth in the claim we have filed in that behalf.

To this province have been assigned most important and costly public services, all of which require more generous financial appropriations, and some of which for the lack of revenue have been completely neglected. To supply the exigencies of government developed under modern conditions, to provide for the urgent demands of vital public services, and generally to meet our budgetary requirements, as they have been set forth in the financial statement submitted from the treasury department, we ask for **additional subsidy allocations**, such as will give Nova Scotia financial treatment equivalent to that already extended to Western provinces.

**We have reached** what must be regarded as **the limits of taxation** under present conditions, and **further direct assessment would cast intolerable burdens upon our people.** Such a condition was not contemplated in the Confederation pact. When the union was effected, Nova Scotia surrendered sources of indirect taxation which have yielded vastly greater revenues than were contemplated to the federal treasury, and out of which we have not received commensurate returns in subsidy allowance. Temporary concession will only partially correct the resultant injustice. **Any readjustment** which may be made **must** in part at least, **be of a permanent character, with ample provision for future expansion.** The British North America Act is not so sacrosanct an instrument that it cannot be altered where inequities have arisen under its operation. It has been changed from time to time in certain particulars already mentioned. Its provisions have not prevented more generous financial treatment to the western provinces than the Maritimes obtained at Confederation.

Had an **irreducible minimum of representation** been demanded by Nova Scotia at the time of Confederation, we believe it would have undoubtedly been granted, and our influence in the councils of the nation would not have been reduced to a proportion that is gradually diminishing with the larger membership of Parliament. In all fairness the number fixed at Confederation which coincided with the county divisions of the province then and now, should be restored and the necessary amendment secured to the British North America Act to provide for such a minimum representation.

It was said before the event that Confederation would enable the people of Canada to recover one of their lost senses—the sense that comprehends the sea. But having recovered that sense our fellow-members of the Confederation have failed through the years to comprehend the problems that the provinces by the sea have brought to them. A satisfactory solution of the problems of the Maritime Provinces must be obtained and adequate remedies applied if we are to have a solid Confederation structure.

**To this end,** with the reservations already stated indicating the intention of this province to make representations in the future as the occasion may demand to the supreme authority of the Parliament of the Dominion, **this submission is presented in the belief that a better understanding will grow from this investigation of Maritime disabilities** which has been conducted by your Commission; and with the assurance that through the sympathetic cooperation of the sister provinces the ills that have oppressed Nova Scotia for so many years can be cured and the general body politic of the Dominion be made healthy in all its members. Thus there may arise within the present constitution of the Confederation a sound Canadian nation which shall be a source of strength within the British Empire.



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